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## Memorizing Trade Secrets

Timothy E. Murphy  
*University of Idaho College of Law*

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## MEMORIZING TRADE SECRETS

*Timothy E. Murphy* \*

### ABSTRACT

*The earliest trade secret cases recognized that remembered information raised unique issues in trade secret misappropriation claims. However, courts struggled with exactly how to address remembered information, as opposed to information taken in tangible form. The modern trend, according to one case from the Washington Supreme Court, is to ignore the distinction and treat remembered information the same as information taken in tangible form for purposes of trade secret misappropriation claims. However, this case may have prematurely signaled the demise of remembered information's relevance to a trade secret claim. Particularly during the pandemic era, where increased employee mobility is placing new pressure on existing trade secret law, the issue of remembered information is of increasing importance. This Article discusses the historical development of trade secret law with respect to remembered information and suggests the continued importance of the distinction between information taken in tangible form and that taken solely in memory.*

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\* Assistant Professor at University of Idaho College of Law. The author would like to thank the following individuals for comments and advice on earlier drafts of this Article: Jonathan Abel, BJ Ard, Wendy Couture, Nikola Datzov, Tabrez Ebrahim, Janet Frielich, Eve Hanan, John Hinton, Dmitry Karshtedt, Christa Laser, Dustin Marlan, Jessica McKinlay, John Miscione, Nicholson Price, Sharon Sandeen, Amy Semet, David Simon, Matthew Sipe, Jacob Victor, Samuel Williams, and Joy Xiang. Additionally, special thanks go to Mitchell Kolberg for his excellent research assistance on this project.

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## INTRODUCTION

In a typical departing employee trade secret misappropriation claim, there will be some allegation that the departing employee used or disclosed trade secret information of the former employer in their new position.<sup>1</sup> In most cases, the allegations will include assertions that the departing employee removed tangible embodiments of the trade secret information from the former employer.<sup>2</sup> In a minority of cases, there will be assertions that the employee's use or disclosure of trade secret information arises from the information the employee carries solely in their memory.<sup>3</sup> This information could end up in the employee's memory in multiple ways, including everything from intentional memorization to unintentional recall due to long and continuous use of the information in the performance of their job duties.<sup>4</sup> Irrespective of how the information got into the employee's memory, the former employer could have legitimate concerns about the use or disclosure of this remembered information in subsequent employment, particularly where the later employment is in a competitive position. Accordingly, from the former employer's perspective, it makes no difference whether information is taken in tangible form or in memory and the employee should be liable for their use or disclosure regardless of the form in which the employee takes the information. Some courts have suggested that the former employer is correct in this

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1. See Victoria A. Cundiff, *Maximum Security: How to Prevent Departing Employees from Putting Your Trade Secrets to Work for Your Competitors*, 8 SANTA CLARA HIGH TECH. L.J. 301, 302–03 (1992).

2. In this context, tangible embodiments are considered to include everything from paper documents to electronic files on a portable storage device or sent through email. Arguably, electronic files are not tangible in the classic sense of that term, but they are considered tangible for purposes of this discussion to distinguish them from information taken solely in a departing employee's memory. It is also worth mentioning that this notion of tangibility should be distinguished from the discussions during the drafting of the Uniform Trade Secrets Act related to tangibility, which were focused on tangibility as a requirement for information to be considered a trade secret, rather than whether information was misappropriated. The requirement of tangibility in that context was ultimately rejected in favor of the economic value requirement. See Sharon Sandeen, *The Evolution of Trade Secret Law and Why Courts Commit Error When They Do Not Follow the Uniform Trade Secrets Act*, 33 HAMLINE L. REV. 493, 525 (2010).

3. See Denise Mingrone & Lauren Seaton, *Making Memories: Trade Secrets Need Not Be in Tangible Form to Be Protectable*, JD SUPRA (June 17, 2019), <https://www.jdsupra.com/legalnews/making-memories-trade-secrets-need-not-64317/> [<https://perma.cc/A7ZT-58S7>].

4. For purposes of the discussion here, such information carried in a departing employee's memory will be referred to as "remembered information" so as to avoid having to parse distinctions between intentional memorization and unintentional recall.

perspective,<sup>5</sup> but as discussed herein, a blanket assertion of the irrelevance of remembered information is actually not consistent with the current state of the law.

Although the issue of remembered information does not arise in every trade secret misappropriation claim, it does arise often enough to merit some consideration. Particularly in the pandemic era, where the so-called “Great Resignation” has significantly increased employee mobility and large-scale work-from-home policies have become ubiquitous, the issue of employee trade secrets (including remembered information) has become increasingly important.<sup>6</sup> A hypothetical scenario will help clarify the issues with respect to remembered information. Consider the case of two insurance salespeople, Pat and Alex, formerly employed by an insurance company, InsureCo, who have gone on to work for a rival insurance company, RivalCo.<sup>7</sup> During the time of employment with InsureCo, Pat maintained a written list of InsureCo customers, both in the office and at home. Alex did not keep such a list at home but had memorized the list of relevant customers simply through prolonged and continuous contact with the customers. Upon their departure, InsureCo demands that both employees return all documents in their possession that constitute confidential or trade secret information of InsureCo. Pat does not return the customer list from home and Alex has nothing to return (because the customer list was retained entirely in memory). Several weeks later, upon seeing some of its customers moving to RivalCo, InsureCo brings

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5. See, e.g., *Pelican Bay Forest Prods. v. W. Timber Prods.*, 443 P.3d 651, 659 (Or. Ct. App. 2019) (“[T]he terms of the [Uniform Trade Secrets] [A]ct are written broadly so as to safeguard trade secrets, no matter the form in which they may be misappropriated.”).

6. See, e.g., Russell Beck, *The ‘Great Resignation,’ Departing Employees and New Federal Efforts to Restrict Noncompetes*, NEW ENG. BIZ L. UPDATE (Aug. 31, 2021), <https://newenglandbizlawupdate.com/2021/08/31/the-great-resignation-departing-employees-and-new-federal-efforts-to-restrict-noncompetes/> [<https://perma.cc/QU3R-K8YW>] (discussing trade secrets issues raised by the “Great Resignation”); Steven A. Caloiaro & Caleb Green, *Maintaining Trade Secrets Amid the COVID-19 Pandemic*, DICKINSON WRIGHT 1–2 (Apr. 22, 2020), <https://www.dickinson-wright.com/-/media/files/news/2020/04/client-alert—trade-secrets-covid19—caloiarogreen.pdf> [<https://perma.cc/R8E2-L8BJ>] (discussing trade secrets issues raised by the pandemic); Amy Candido et al., *“Reasonable Measures” to Protect Trade Secrets at Risk with Employees Working-From-Home Amid Covid-19 Crisis*, QUINN EMANUEL TRIAL LAW. 1–10 (Apr. 2, 2020), <https://www.quinnemanuel.com/media/pebmg0u/client-alert-reasonable-measures-to-protect-trade-secrets-at-risk-from-employees-working-from-home-amid-covid-19-crisis-5.pdf> [<https://perma.cc/PSJ2-ZNFU>] (discussing trade secrets issues raised by employees working from home).

7. The facts in this hypothetical are loosely based upon the *Nowogroski* case discussed below. See *infra* Section III.B.

suit for misappropriation of trade secrets against both the former employees and RivalCo.

Although the court will have little trouble dealing with the misappropriation claim against Pat (because the information misappropriated is in tangible form), the court may struggle with what to do about Alex, who did not take any tangible documents. In particular, the fact that the claim against Alex is based upon remembered information will bring into play additional doctrines for the court to wrestle with, and unfortunately, inconsistent case law and incorrect pronouncements of oft-cited cases. This confusion around the issue of remembered information is the subject of this Article.

Beginning with the earliest cases, courts dealing with trade secret misappropriation claims wrestled with the challenges posed by former employees' remembered information, as opposed to information that is taken by former employees in tangible form.<sup>8</sup> The various approaches taken by these courts eventually solidified into three distinct common law doctrines that are at least partially applicable to remembered information: the general skills, knowledge, and experience exclusion ("GSKEE"),<sup>9</sup> the Inevitable Disclosure Doctrine,<sup>10</sup> and the Memory Rule.<sup>11</sup> These doctrines represent two endpoints and a floating doctrine on the spectrum of what remembered information is actionable in a trade secret claim. More

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8. Compare *Peabody v. Norfolk*, 98 Mass. 452, 461 (1868) (finding liability irrespective of the fact information was remembered), with *Peerless Pattern Co. v. Pictorial Review Co.*, 132 N.Y.S. 37, 39 (App. Div. 1911) (finding no liability where information was retained only in memory). See also *Excelsior Laundry Co. v. Diehl*, 1927-NMSC-007, ¶¶ 4–6, 32 N.M. 169, 252 P. 991 (reviewing cases across multiple jurisdictions regarding remembered information).

9. The reference to the "general skills, knowledge, and experience exclusion" comes from Professor Hrdy's work and is used here as a generalization of many different formulations by multiple courts of this type of information. See Camilla A. Hrdy, *The General Knowledge, Skill, and Experience Paradox*, 60 B.C. L. REV. 2409, 2419–22 (2019). It is also important to note that a particular piece of information's status as general skills, knowledge, and experience does not depend on whether the information is in tangible form or only in memory.

10. See, e.g., Ryan M. Wiesner, *A State-By-State Analysis of Inevitable Disclosure: A Need for Uniformity and a Workable Standard*, 16 MARQ. INTEL. PROP. L. REV. 211, 217–28 (2012) (discussing various states' applications of inevitable disclosure).

11. Although not all courts refer to a "Memory Rule" when considering employee remembered information, I will use this terminology here for simplicity to refer to a court finding that a departing employee is not liable for misappropriation of particular information (either because the information does not constitute a trade secret or because the employee's conduct is not actionable) because the defendant retained the information in their memory, rather than taking tangible documents from their former employer. See, e.g., *Developments in the Law: Competitive Torts*, 77 HARV. L. REV. 888, 956 (1964) (referring to a "memory rule" with respect to customer lists).

particularly, certain remembered information may not be actionable at all (under the Memory Rule); may be actionable and the basis for an injunction (under the Inevitable Disclosure Doctrine); or may or may not be actionable depending on the type of information, details about the employee, general industry knowledge, etc. (under the GSKEE). These are generalizations of course because each of these doctrines is fraught with confusion, are inconsistently applied, and are controversial or have been suggested to have limited continuing validity.

Despite the widespread codification of trade secret law through the Uniform Trade Secrets Act (“UTSA”)<sup>12</sup> and Defend Trade Secrets Act (“DTSA”),<sup>13</sup> neither of which expressly addresses any of these doctrines, these three common law doctrines continue to impact the analysis of whether particular remembered information can form the basis of a trade secret misappropriation claim to this day.<sup>14</sup> However, as discussed below, the GSKEE continues to be a valid approach, while the inevitable disclosure doctrine is controversial and the Memory Rule has been purported to have limited continuing validity.<sup>15</sup> Because the latter doctrine is the most applicable defense with respect to remembered information, the limited use of this doctrine could have the effect of imposing liability irrespective of whether information is taken in tangible form or in memory.<sup>16</sup> To the extent we embrace the notion that trade secret liability should only arise upon establishment of some culpable

12. UNIF. TRADE SECRETS ACT, prefatory note (UNIF. L. COMM’N 1985).

13. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (codified as amended at 18 U.S.C. §§ 1833, 1836, 1838–39).

14. See, e.g., *First Nat’l Bancorp Inc. v. Alley*, No. 14-00387 MCA/WPL, 2014 U.S. Dist. LEXIS 188316, at \*26 (D.N.M. July 7, 2014) (“The Court concludes that the rule of *Diehl* remains good law and therefore Defendants’ use of the recollected names of FSFA’s clients does not constitute misappropriation of a trade secret.”); *PUI Audio, Inc. v. Van Den Broek*, No. 3:21-cv-284, 2021 U.S. Dist. LEXIS 202846, at \*17 (S.D. Ohio Oct. 21, 2021), *modified*, No. 3:21-cv-284, 2021 U.S. Dist. LEXIS 213207 (S.D. Ohio Nov. 4, 2021) (“[I]t is worth noting that Ohio law recognizes the ‘inevitable-disclosure rule.’”); *Radiant Glob. Logistics, Inc. v. BTX Air Express of Detroit LLC*, No. 18-12783, 2021 U.S. Dist. LEXIS 68319, at \*28 (E.D. Mich. Apr. 8, 2021) (“Post-employment, a former employee is free to compete with former employer using his general skills and knowledge, but he may not use former employer’s trade secrets.”).

15. See *infra* Part IV.

16. Note that, for purposes of this Article, the term “liability” is being used in its broadest possible sense, covering any negative result against a defendant. Thus, “liability” as used herein, could refer to anything from a judgment of money damages to a preliminary injunction delaying future employment.

conduct,<sup>17</sup> this trend away from distinguishing remembered information is problematic.

An oft-cited case on the issue of remembered information is *Nowogroski v. Rucker*.<sup>18</sup> This case is generally cited for the proposition that the issue of whether information is taken in tangible form or memorized is irrelevant for purposes of a trade secret claim.<sup>19</sup> Indeed, many casebooks<sup>20</sup> and treatises<sup>21</sup> cite this decision on the issue of remembered information and the *Restatement of Agency* cites *Nowogroski* for the proposition that “[m]ost recent cases do not follow the ‘memory rule’”.<sup>22</sup> However, the *Restatement* citation presents an overbroad and/or misleading statement of the holding in the *Nowogroski* case, and it is an incorrect statement of trade secret law generally. In fact, the issue of whether information is taken in tangible form or in memory, is quite important, and can be outcome determinative, despite *Nowogroski*’s purported assertion to the contrary. This Article will detail the multiple ways in

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17. The extent to which trade secrets liability should be tied to culpability or volitional conduct in the context of remembered information will be discussed in a subsequent article, currently in progress. See Andrew J. Kopko, *Protection of Trade Secrets in the Employer-Employee Relationship*, 39 NOTRE DAME L. REV. 208, 208–09 (1964) (discussing cases requiring “evil intention” by a departing employee before injunctive relief will be granted).

18. *Ed Nowogroski Ins. v. Rucker*, 971 P.2d 936, 941 (Wash. 1999).

19. *Id.* at 948.

20. See, e.g., MARY LAFRANCE, GARY MYERS, LEE ANN W. LOCKRIDGE & DAVID L. LANGE, *INTELLECTUAL PROPERTY: CASES AND MATERIALS* 349 (5th ed. 2018) (citing *Nowogroski* for the proposition that “[an] argument that no tangible copies of trade secret information were taken, and that the information is instead only within the alleged misappropriator’s memory—and thus not wrongfully acquired or otherwise not subject to protection as a trade secret—may not create a viable defense to a misappropriation claim when the claim is based on use of the mentally retained information.”); MARGRETH BARRETT, *INTELLECTUAL PROPERTY: CASES AND MATERIALS* 63 (4th ed. 2011) (citing *Nowogroski* with respect to the issue of remembered information); ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 89 (5th ed. 2010) (citing *Nowogroski* in discussing whether memorization matters for purposes of determining misappropriation).

21. 2 RUDOLF CALLMANN, *THE LAW ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* § 14:25 (4th ed. Supp. 1996) (“The form of the information and the manner in which it is obtained are unimportant; the nature of the relationship and the defendant’s conduct should be the determinative factors. The distinction places a premium upon good memory and a penalty upon forgetfulness, and it cannot be justified either from a logical or pragmatic point of view.”); 4 ROGER M. MILGRIM & ERIC E. BENSON, *MILGRIM ON TRADE SECRETS* § 15.01[1][e] (2022) (“The majority of courts recognize that use based on memory is as actionable as use based on tangible documents or other matter.”); JAMES POOLEY, *TRADE SECRETS* § 6.02[2][c] (7th ed. 2001) (“The widely accepted rule is that memorization is no defense, and that unauthorized asportation of data in one’s head is no more proper than taking it on paper or in electronic form.”).

22. RESTATEMENT (THIRD) OF AGENCY § 8.05 cmt. c (AM. L. INST. 2006) (“[U]nder the Uniform Trade Secrets Act, a customer list does not lose protection because it is taken through memorization and not in memorialized form.” (citing *Nowogroski*)).



which remembered information continues to be relevant to a trade secret misappropriation claim.

Part I reviews the early cases that dealt with remembered information, at a time before any of the three doctrines had been formalized as such. Part I also discusses some of the challenges caused by the common law development of these doctrines when attempting to apply them in the modern, primarily-statutory approach to trade secret claims. Part II walks through the practical structure of a modern trade secret misappropriation action so as to establish a framework to which the three common law doctrines can be applied. Parts III, IV, and V walk through each of the three doctrines in turn at a relatively high level, simply focusing on their relevance to remembered information. Part III provides a more detailed discussion of the Memory Rule because this is the doctrine that is most-clearly identified as being no longer followed. This Part includes a detailed analysis of the *Nowogroski* decision in order to clarify the error in broad pronouncements citing this decision for the idea that remembered information is not relevant in modern trade secret actions. Part VI uses the analytical framework developed in Part II, along with the descriptions of the doctrines in Parts III, IV, and V to demonstrate how each of the doctrines could apply in a modern trade secret case and to demonstrate the continuing importance of remembered information in these cases.

## I. EARLY CASES AND COMMON LAW CHALLENGES

In 1911, in one of the earliest trade secret cases in the United States, Judge Scott stated definitively that “equity has no power to compel a man who changes employers to wipe clean the slate of his memory.”<sup>23</sup> In *Peerless Pattern Co. v. Pictorial Review Co.*, a former employee began work at a competitor and used information from the former employer (customer information) to begin soliciting the former employer’s customers to switch to the new employer.<sup>24</sup> The court found that simply using information remembered from the former employer was not sufficient to support an injunction restraining the employee at the new employer.<sup>25</sup>

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23. *Peerless Pattern Co. v. Pictorial Review Co.*, 132 N.Y.S. 37, 39 (App. Div. 1911).

24. *Id.*

25. *Id.* (“All that clearly appears is that he undertook to use in his new employment the knowledge he had acquired in the old. This, if it involves no breach of confidence, is not unlawful, for equity has no power to compel a man who changes employers to wipe clean the

If the last 100 years of trade secret jurisprudence is any indication, equity may have no power to compel memory wiping, but trade secret law certainly does. Indeed, actions against departing employees are the most common type of trade secret cases today, irrespective of whether the information is taken in memory or by some other physical or electronic means.<sup>26</sup>

Even before *Peerless* though, at least one court had found trade secret liability against a departing employee irrespective of the fact the information was retained in the departing employee's memory.<sup>27</sup> In *Peabody v. Norfolk*, an employer disclosed secret processes for the manufacture of gunny cloth to an employee, with the employee being under a contractual obligation not to disclose those secrets, and then the employee departed to work for and/or establish a competing firm using the trade secrets.<sup>28</sup> The court held that the employer had protectable secrets and the employee was liable for misappropriating those secrets.<sup>29</sup> Although the information was retained in the employee's memory, that fact was not significant in the court's resolution of the case.<sup>30</sup> Moreover, the court did not inquire as to how the information came to be in the employee's memory (e.g., through intentional memorization or inadvertent memorization through, for example, long and continued exposure

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slate of his memory.”). It is important to note that this decision was with respect to an appeal from issuance of a preliminary injunction and there was an open question as to whether the customer information was in fact secret. It is possible that, if evidence had been presented establishing that the information was disclosed to the employee in confidence, the court might have gone the other direction. However, I can only speculate on this point.

26. David S. Almeling, Darin W. Snyder, Michael Sapoznikow, Whitney E. McCollum & Jill Weader, *A Statistical Analysis of Trade Secret Litigation in State Courts*, 46 GONZ. L. REV. 57, 68 (2010); see, e.g., *Cisco Sys. v. Chung*, 462 F. Supp. 3d 1024, 1031–32 (N.D. Cal. 2020) (misappropriation suit against former employees and new employer); *Agilysys, Inc. v. Hall*, 258 F. Supp. 3d 1331, 1338 (N.D. Ga. 2017) (misappropriation suit against former employees); *AHS Staffing, LLC v. Quest Staffing Grp., Inc.*, 335 F. Supp. 3d 856, 861 (E.D. Tex. 2018) (misappropriation suit against former employees and new employer). Note that in most modern cases, there is evidence of the employee actually removing information in either tangible or electronic form. Accordingly, the issue of remembered information will only be relevant in a small number of cases, compared to the many cases in which employees have actually taken some physical or electronic documents.

27. *Peabody v. Norfolk*, 98 Mass. 452, 452 (1868).

28. *Id.* at 453.

29. *Id.* at 452. Note that the misappropriation of trade secrets action did not exist in that name at this time and so the court speaks largely in terms of violations of duties, rather than in misappropriation of a property right.

30. *Id.* at 461.

to the information).<sup>31</sup> Accordingly, even in these early cases, courts do not take a consistent approach to remembered information.

However—even if the statement in *Peerless* is seen as an outlier or a minority view, particularly in view of the opposite result in *Norfolk*—courts have continued to wrestle with the issue of remembered information throughout the history of trade secret law. Thus, neither *Peerless* nor *Norfolk* can be seen as definitive on the issue. Indeed, even in the past decade, courts have made sweeping pronouncements suggesting that remembered information might be subject to different rules than tangibly taken information.<sup>32</sup>

Despite the long history on this issue, one of the biggest challenges for addressing remembered information today is that such information, if addressed at all, was historically often addressed in a manner that does not easily map onto the largely-statutory approach of trade secret law today. In other words, multiple common law doctrines arose to address remembered information during the pre-UTSA era, but those common law doctrines do not fit nicely together with the modern UTSA/DTSA statutory system. For example, some early courts would address remembered information when determining whether a trade secret exists, not whether improper means was used to acquire the information.<sup>33</sup> Other courts would treat the issue in a wholistic manner along with the determination of whether liability would attach and simply decide that the defendant had no liability with respect to remembered information without distinguishing whether it was because the information was not a trade secret or because a misappropriation had not occurred.<sup>34</sup>

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31. *Id.*

32. See *First Nat'l Bancorp Inc. v. Alley*, No. 14-00387, 2014 U.S. Dist. LEXIS 188316 (D.N.M. July 7, 2014) (“When leaving one company for another, an employee is not required to have a partial lobotomy to remove all information relevant to his former position.” (quoting *Winner Logistics, Inc. v. Lab. & Logistics, Inc.*, 23 Pa. D & C.5th 463, 467 (C.P. Phila. 2011))).

33. See, e.g., *Woolley's Laundry v. Silva*, 23 N.E.2d 899, 901 (Mass. 1939) (reviewing early cases holding that customer lists were not trade secrets).

34. See, e.g., *Structural Dynamics Rsch. Corp. v. Eng'g Mechs. Rsch. Corp.*, 401 F. Supp. 1102, 1111 (E.D. Mich. 1975) (evaluating trade secrets claim with reference to duties owed to employer, not whether particular information was a trade secret). Note that this two-part analysis of trade secrets misappropriation claims is a relatively recent approach stemming from the formalisms provided in the UTSA. Accordingly, it is not surprising that early courts did not draw a rigid distinction regarding the basis for finding liability, or no liability, with respect to remembered information.

This common law history is difficult to apply today because the modern statutory system breaks up the analysis of whether a trade secret exists and whether there was a misappropriation, with specific definitions for each stage of the analysis. Accordingly, it is difficult to rely on precedent cases for these common law doctrines because it is not always clear which portion of the case the precedent should apply to and, even when an early court would state explicitly that a defendant is not liable because particular information is not a trade secret, the language the courts use suggests that the real basis for their decision is that the information was not obtained improperly, not that the information does not meet the definition of a trade secret.<sup>35</sup>

The Memory Rule doctrine, in particular, is plagued by the fact that some courts address the doctrine when determining whether remembered information is a trade secret and other courts address the issue when determining whether a misappropriation occurred.<sup>36</sup> This last point is the primary reason for the confusion surrounding the *Nowogroski* decision and its continuing misuse and mischaracterization, as discussed below.

In order to provide a framework for discussion of the issue, the anatomy of a modern trade secret claim will be developed in the next Part. This framework can then be used as an aid in discussing the various doctrines applicable to remembered information in the remainder of the Article.

## II. ANATOMY OF A TRADE SECRET ACTION

To discuss how remembered information impacts a modern trade secret case, it is useful to first understand the anatomy of a modern case. Modern trade secret cases can be seen to proceed in two distinct stages: (1) the plaintiff must prove whether the information at issue is a trade secret (hereinafter referred to as the “Existence Stage”); and (2) the plaintiff must establish that the defend-

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35. Early courts often relied on the *Restatement (First) of Torts* to determine whether particular information constituted a trade secret. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (AM. L. INST. 1939). The UTSA and DTSA provide very broad definitions of what information can be a trade secret, but the Restatement also allowed for a pretty expansive view of what information could be considered a trade secret.

36. See, e.g., Michael J. Ptak, Note, *Commercial Torts—Trade Secrets—Arkansas Extends Trade Secret Protection to Customer Lists Under the Arkansas Trade Secrets Act*, 14 U. ARK. LITTLE ROCK L.J. 693, 698–701 (1992) (discussing the variation in remembered and tangible customer list jurisprudence by jurisdiction).

ant's conduct constitutes misappropriation, as defined in the relevant statute (hereinafter referred to as the "Conduct Stage").<sup>37</sup> Each of these stages has a different focal point for the analysis. The Existence Stage focuses primarily on the information itself and the conduct of the trade secret owner, as described in the next paragraph. Conversely, the Conduct Stage focuses primarily on the conduct of the alleged misappropriator, as discussed further below.

Depending on the particular jurisdiction, the Existence Stage has multiple elements. For example, under the DTSA, to establish that particular information constitutes a trade secret, the plaintiff must show that the information is among the listed types of information in the definition of "trade secret",<sup>38</sup> that the plaintiff has taken reasonable measures to keep the information secret, that the information derives independent economic value due to its secrecy, and that the information is not generally known or readily ascertainable.<sup>39</sup> The second element (independent economic value) does little work in the analysis and is not usually subject to significant inquiry by the courts.<sup>40</sup> The categories of information listed in the statute are extremely broad and thus the first element also does little work in practice. Accordingly, the bulk of the work is done by

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37. See, e.g., *Compulife Software Inc. v. Newman*, 959 F.3d 1288, 1310 (11th Cir. 2020) ("To prove a claim under the Florida Uniform Trade Secrets Act (FUTSA), [the plaintiff] 'must demonstrate that (1) it possessed a trade secret and (2) the secret was misappropriated.'" (citing *Yellowfin Yachts, Inc. v. Barker Boatworks, LLC*, 898 F.3d 1279, 1297 (11th Cir. 2018))). Note that the approach presented in this Section is largely a conceptual model and not necessarily reflective of how any particular court would address a trade secret misappropriation claim. The approach taken by any particular court would likely depend on the facts alleged in the complaint and answer, the court's particular approach to cases on its docket, motions practice, and the relevant law of the applicable jurisdiction.

38. 18 U.S.C. § 1839(3). Note that this is generally not a significant hurdle because the definition is very broad. Having a broad definition of trade secrets may exacerbate some of the challenges with addressing remembered information through the doctrines discussed in this Article. See, e.g., Suellen Lowry, *Inevitable Disclosure Trade Secret Dispute: Dissolutions of Concurrent Property Interests*, 40 STAN. L. REV. 519, 523 (1988) (discussing the impacts of a broad definition of trade secrets on inevitable disclosure cases).

39. See 18 U.S.C. § 1839(3); see also *Compulife Software*, 959 F.3d at 1311; see generally Michelle Evans, *Trade Secret Status for Business Customer Lists Under the Defend Trade Secrets Act*, 21 TUL. J. TECH. & INTELL. PROP. 21 (2019) (reviewing the elements of a trade secret misappropriation claim under the DTSA, specifically with respect to business customer lists).

40. See Sharon K. Sandeen, *A Contract by Any Other Name Is Still a Contract: Examining the Effectiveness of Trade Secret Clauses to Protect Databases*, 45 IDEA: J.L. & TECH. 119, 141 (2005) (stating that the economic value requirement of the UTSA is largely ignored). But see Camilla A. Hrdy & Mark A. Lemley, *Abandoning Trade Secrets*, 73 STAN. L. REV. 1, 32–33 (2021) (discussing the approaches taken by various courts with respect to the independent economic value requirement).

the first (reasonable measures)<sup>41</sup> and third (secrecy) elements.<sup>42</sup> However, once it is determined whether the information at issue is in fact a trade secret, the case can proceed to determine whether a misappropriation has occurred.

Depending on which portion of the statute the action is being brought under, the plaintiff may also have to establish multiple elements at the Conduct Stage.<sup>43</sup> The portion of the DTSA most relevant to the departing employee situation (at least with respect to claims against the departing employee) is 18 U.S.C. § 1839(5)(B)(ii)(II), which defines “misappropriation” as,

disclosure or use of a trade secret of another without express or implied consent by a person who—at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was—acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret.<sup>44</sup>

Thus, a plaintiff should have to show: disclosure or use; the lack of consent; acquisition under circumstances giving rise to a duty of confidentiality; and knowledge or reason to know (at the time of disclosure or use) of the acquisition circumstances (and related

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41. See, e.g., Deepa Varadarajan, *Trade Secret Precautions, Possession, and Notice*, 68 HASTINGS L.J. 357 (2017) (discussing reasonable measures requirement in context of Employer-Employee cases); David W. Slaby, James C. Chapman & Gregory P. O'Hara, *Trade Secret Protection: An Analysis of the Concept Efforts Reasonable Under the Circumstances to Maintain Secrecy*, 5 SANTA CLARA COMPUT. & HIGH TECH. L.J. 321 (1989) (analyzing the reasonable measures requirement); Elizabeth A. Rowe, *Contributory Negligence, Technology, and Trade Secrets*, 17 GEO. MASON L. REV. 1 (2009) (discussing standard for reasonable measures requirement). But see Edmund W. Kitch, *The Law and Economics of Rights in Valuable Information*, 9 J. LEGAL STUD. 683 (1980) (critically analyzing the reasonable measures requirement); Jonathan R. Chally, Note, *The Law of Trade Secrets: Toward a More Efficient Approach*, 57 VAND. L. REV. 1269 (2004) (proposing the removal of the reasonable measures requirement); Jermaine S. Grubbs, Comment, *Give the Little Guys Equal Opportunity at Trade Secret Protection: Why the Reasonable Efforts Taken by Small Businesses Should Be Analyzed Less Stringently*, 9 LEWIS & CLARK L. REV. 421 (2005) (discussing reasonable efforts requirement); Trygve Meade, Comment, *Indecision: The Need to Reform the Reasonable Secrecy Precautions Requirement Under Trade Secret Law*, 37 S. ILL. U. L.J. 717 (2013) (discussing the reasonable measures requirement to argue that it should be reduced for small business, akin to the reasonableness standard of tort law).

42. Thad G. Long, *Alabama Trade Secrets Act*, 18 CUMB. L. REV. 557, 564 (1988) (discussing establishing that information is readily ascertainable); Gerald B. Buechler, Jr., *Revealing Nebraska's Trade Secrets Act*, 23 CREIGHTON L. REV. 323, 340 (1990) (discussing readily ascertainable requirement); Peter J. Couture, *Independent Derivation and Reverse Engineering*, in TRADE SECRET PROTECTION AND LITIGATION: PROTECTING CONFIDENTIAL BUSINESS AND TECHNICAL INFORMATION 615, 623 (PLI Pats., Copyrights, Trademarks & Literary Prop., Course Handbook Ser. No. 340, 1992).

43. See 18 U.S.C. § 1839(5).

44. *Id.*

duty).<sup>45</sup> Unfortunately, courts often do not break the misappropriation provisions down into elements in this way and instead may just look solely at the defendant's conduct in using or disclosing the information at issue.

Looking at a misappropriation case as consisting of two distinct stages in this way would suggest that the impact of the form in which the information at issue was taken would be most relevant at the Conduct Stage. This is so because that is the stage in which the alleged misappropriator's conduct is most at issue. However, as further developed in the remainder of the Article, courts will often address the issue of remembered information at the Existence Stage. This approach is at least arguably consistent with the common law development of the doctrines, but it is seemingly at odds with the plain language of both the UTSA and the DTSA, which both contain broad and inclusive definitions of trade secrets. This creates difficulty for courts attempting to map the common law doctrines onto modern cases. This difficulty has led some courts, and in particular the *Nowogroski* court, to make seemingly sweeping pronouncements that trade secret liability does not depend on the form in which the information is taken when a much narrower statement would have been appropriate.<sup>46</sup>

This two-stage framework for conceptualizing trade secret misappropriation claims can be useful in thinking about the impact of common law doctrines on modern cases. The three doctrines most relevant to remembered information will now be discussed in the following Parts and then the framework will be used to map these doctrines onto modern statutory cases.

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45. *Id.* Although this analysis follows straight-forwardly from the statute, courts do not typically engage in this level of analysis of misappropriation. The *Nowogroski* cases are representative of this issue as none of the trial court, appellate court, or Washington Supreme Court broke the statute down to individual elements like this to determine whether a misappropriation occurred. See *Ed Nowogroski Ins. v. Rucker*, No. 93-2-31603-8 SEA, 1995 WL 17873925, ¶¶ 1.12–1.13, 1.15 (Wash. Super. Nov. 21, 1995) (“Rieck, Kiser and Rucker all had an obligation under the personnel manual and common law to maintain secrecy of the above-described information. Their taking this information and taking or refusing to return summaries of insurance, customer lists and other documents containing customer information produced or commonly retained by plaintiff constitutes misappropriation.”); *Ed Nowogroski Ins. v. Rucker*, 944 P.2d 1093, 1094 (Wash. Ct. App. 1997) (reviewing only whether a trade secret exists, not whether a misappropriation occurred); *Ed Nowogroski Ins. v. Rucker*, 971 P.2d 936, 942 (Wash. 1999) (citing the definition of misappropriation in the Washington trade secrets statute, but not analyzing the individual elements).

46. *Nowogroski*, 944 P.2d at 1097.

### III. THE MEMORY RULE

The notion of allowing departing employees to continue to use (primarily customer) information in their unaided memories is not new to trade secret law.<sup>47</sup> This “Memory Rule” has its roots all the way back to the early twentieth century.<sup>48</sup> In *Excelsior*, the departing employee took the relevant information (customer list and service details) solely in memory.<sup>49</sup> After reviewing cases in multiple jurisdictions and specifically distinguishing an earlier case by the fact that tangible documents were retained by the departing employee in the prior case, the court held that the defendant was not liable for misappropriation.<sup>50</sup> The Memory Rule was applied sporadically for most of the twentieth century, with some courts following the Rule and other courts rejecting it.<sup>51</sup>

Four aspects of the Memory Rule are relevant to the discussion in this Article. First, older cases often applied the Memory Rule at the Existence Stage of a misappropriation claim.<sup>52</sup> Such courts applied the Rule to determine whether a trade secret exists in the first place, before analysis of whether the information was misappropriated (e.g., whether improper means was used to acquire/use the information or whether there was a breach of a duty of confidentiality).<sup>53</sup> Second, the Memory Rule is generally applied to customer or client list information (or other “business information”) and does not appear to be routinely applied to general technological

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47. See *Excelsior Laundry Co. v. Diehl*, 1927-NMSC-007, ¶¶ 2,6, 32 N.M. 169, 252 P. 991; see also *First Nat'l Bancorp Inc. v. Alley*, No. 14-00387, 2014 U.S. Dist. LEXIS 188316, at \*26 (D.N.M. July 7, 2014) (“Defendants’ use of the recollected names of FSFA’s clients does not constitute misappropriation of a trade secret.”); see *supra* note 4.

48. See *Excelsior Laundry*, 1927-NMSC-007, ¶ 2; *First Nat'l Bancorp Inc.*, 2014 U.S. Dist. LEXIS 188316, at \*26; see *supra* note 4. Although not all courts refer to a “Memory Rule” when considering employee remembered information, I will use this terminology here for simplicity to refer to the notion that trade secret misappropriation liability may not attach when the information at issue is solely remembered information, rather than information taken in some tangible or electronic form.

49. *Excelsior Laundry*, 1927-NMSC-007, ¶ 2 (“Whatever knowledge of plaintiff’s customers defendant made use of, so far as the record shows, was from memory.”).

50. *Id.* ¶¶ 14–15.

51. See *infra* Section III.A.

52. See *Ed Nowogroski Ins. v. Rucker*, 971 P.2d 936, 945 (Wash. 1999).

53. See *First Nat'l Bancorp Inc.*, 2014 U.S. Dist. LEXIS 188316, at \*24–25 (questioning “whether the recalled names of a former employer’s clients can constitute trade secrets,” yet proceeding to analyze the issue in view of the “improper means” requirement of the New Mexico UTSA).



information.<sup>54</sup> Third, some courts applying the Memory Rule at the Existence Stage do not base their finding of no trade secret solely upon the fact that the information is remembered. Rather, its status as remembered information can be just one of multiple factors that lead a court to conclude that the information is not a trade secret.<sup>55</sup> Finally, the continuing validity of the Memory Rule is open to question.<sup>56</sup> The effect of this last point is to make it less likely for a court to deny liability based on the remembered versus tangible distinction.

With respect to the first issue, applying the Memory Rule at the Existence Stage will hereinafter be referred to as applying the “Memory Rule Exclusion” for the sake of simplicity.<sup>57</sup> Conversely, applying the Memory Rule at the Conduct Stage will be referred to as the “Memory Rule Defense.” This distinction will help to clarify the approach taken by different courts on this issue. With this in mind, the following section will look at the history of the Memory Rule.

### A. *The Rise and Persistence of the Memory Rule*

Although *Peerless* set forth a rather definitive statement of the proposition that information carried by a departing employee cannot form the basis of a trade secret claim (absent an agreement to the contrary),<sup>58</sup> courts continued to wrestle with the proposition in

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54. See, e.g., *First Fin. Bank, N.A. v. Bauknecht*, 71 F. Supp. 3d 819, 845 (C.D. Ill. 2014) (remembered customer list); *Al Minor & Assocs., Inc. v. Martin*, 117 Ohio St. 3d 58, 2008-Ohio-292, 881 N.E.2d 850, ¶¶ 1–2 (remembered customer list); *Excelsior Laundry*, 1927-NMSC-007, ¶ 1 (remembered customer list); *First Nat'l Bancorp Inc.*, 2014 U.S. Dist. LEXIS 188316, at \*24–27 (remembered client list). *But see* Douglas S. Liebhafsky, Note, *Industrial Secret and the Skilled Employee*, 38 N.Y.U. L. REV. 324, 343–44 (1963) (discussing the possibility of the “memory doctrine” applicable to customer lists might be extended to “industrial know-how”).

55. See, e.g., *Revcor, Inc. v. Fame, Inc.*, 228 N.E.2d 742, 746 (Ill. App. Ct. 1967) (listing several circumstances that might impact trade secrets liability with one of those being whether the information was retained in memory).

56. See RESTATEMENT (THIRD) OF AGENCY § 8.05 cmt. c (AM. L. INST. 2006) (“Most recent cases do not follow the ‘memory rule.’”); see also *Al Minor & Assocs.* at ¶ 24 (“Based on the foregoing, we conclude that the determination of whether a client list constitutes a trade secret pursuant to [Ohio UTSA] does not depend on whether it has been memorized by a former employee.”); Rhonda DeVincent, Note, *Ed Nowogroski Insurance, Inc. v. Rucker: Is the Memory Rule Just a Thing of the Past?*, 7 SUFFOLK J. TRIAL & APP. ADVOC. 139 (2002) (reviewing cases addressing remembered information).

57. This approach borrows from Professor Hrdy’s analysis and proposal with respect to the General, Skills, and Knowledge Exclusion. See *supra* note 9.

58. *Peerless Pattern Co. v. Pictorial Rev. Co.*, 132 N.Y.S. 37, 39 (App. Div. 1911).

the early decades of the twentieth century. For example, in *People's Coat v. Light*,<sup>59</sup> the court specifically acknowledged the principle (through the case of *Boosing v. Dorman*<sup>60</sup>) but went on to reverse the lower court's refusal to enter an injunction against the departing employee.<sup>61</sup> Subsequently in *S.W. Scott & Co. v. Scott*, the court rejected the notion that *People's Coat* had overruled the principle stated in *Peerless* and *Boosing*.<sup>62</sup> Accordingly, the *Scott* court affirmed the employee's right to continue to use customer information after employment and reversed the lower court's issuance of an injunction.<sup>63</sup>

Up through the 1950s, courts continued to reject or limit injunctions against departing employees with respect to information taken solely in their memories, citing to *Peerless* or other cases relying on *Peerless* on this issue.<sup>64</sup> The challenge with these early cases is that the courts did not distinguish whether liability was avoided (or limited) because remembered information does not constitute a trade secret or because the employee's conduct in reusing remembered information was insufficient to establish misappropriation.<sup>65</sup> This is not surprising because, in the pre-UTSA era, courts did not analyze trade secret misappropriation claims using the two-stage approach described above. Moreover, in deciding these early cases, the courts would analyze the trade secret issues holistically, looking to the former employer's efforts in accumulating the information (which may be relevant for deciding whether the information was a trade secret), the general availability of the information (again relevant for the information's status as a trade secret), and the former employees' conduct when leaving the employer and entering a competitive situation (relevant on the issue

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59. *People's Coat, Apron & Towel Supply Co. v. Light*, 157 N.Y.S. 15 (App. Div. 1916), *aff'd*, 121 N.E. 886 (N.Y. 1918).

60. 133 N.Y.S. 910 (App. Div. 1912), *aff'd*, 103 N.E. 1121, 1121 (N.Y. 1913).

61. *People's Coat*, 157 N.Y.S. at 15–16.

62. 174 N.Y.S. 583, 586–87 (App. Div. 1919).

63. *Id.* at 589.

64. *See, e.g., Woolley's Laundry, Inc. v. Silva*, 23 N.E.2d 899, 903 (Mass. 1939) (reversing injunction against departing employee because the customer information was retained solely in memory); *Fleisig v. Kossoff*, 85 N.Y.S.2d 449, 454 (Sup. Ct. 1948) (affirming limited injunction because not all of the customer information was taken solely in memory); *Town & Country House & Home Serv., Inc. v. Newbery*, 147 N.E.2d 724, 727–28 (N.Y. 1958) (affirming injunction against solicitation of remembered former customers due to the time and expense expended by former employer in cultivating customer list).

65. *Woolley's Laundry*, 23 N.E.2d at 903; *Fleisig*, 85 N.Y.S.2d at 452–53; *Town & Country*, 147 N.E.2d at 726.

of whether a misappropriation had occurred).<sup>66</sup> Accordingly, the courts would simply reject or narrow an injunction in view of the fact that the information at issue was remembered information, without distinguishing whether its status as remembered information meant it was not a trade secret or that no misappropriation had occurred.

In the 1960s, courts began to coalesce around the idea that the critical inquiry in these former employee cases is whether the customer list information is in fact a trade secret.<sup>67</sup> This shift to looking primarily as to whether the information is a trade secret may have been due to the fact that, once the information was found to be a trade secret, the former employee's liability was essentially assured because there was not a robust inquiry into whether the employee's conduct was sufficiently culpable for liability to attach.<sup>68</sup> Despite that courts would not determine liability based solely upon the departing employee's conduct, courts would still look to conduct in providing further support for injunctive relief.<sup>69</sup> Thus, even though courts would state that the defendant is not liable because the information at issue was not a secret, these same courts were also considering the defendant's conduct as part of their decision-making.

In the 1970s, courts continued to address the issue of remembered information, while also considering the departing employee's

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66. *Woolley's Laundry*, 23 N.E.2d at 899; *Fleisig*, 85 N.Y.S.2d at 449; *Town & Country*, 147 N.E.2d at 726-27.

67. *See, e.g., Inland Rubber Corp. v. Triple A Tire Serv., Inc.*, 210 F. Supp. 880, 883 (S.D.N.Y. 1962) ("A crucial point, of course, in any case where this principle is sought to be invoked is whether the particular information involved is such confidential information or 'trade secret' material as to fall within this rule."); *Cupid Diaper Serv. v. Adelman*, 211 N.Y.S.2d 813, 814-15 (Sup. Ct. 1961) ("The distinctive test between the sanction practice of competition and the condemned practice of breaching a confidence reposed in an employee is whether the customers have been gathered by an unusual amount of time, effort and money in a business not appealing to the general public or even to a segment of the public to be easily found in a public directory.").

68. *Inland Rubber Corp.*, 210 F. Supp. at 883 ("The law of New York forbids an employee, after leaving the service of a given employer, unfairly to exploit for his own benefit 'trade secrets' or other confidential information known to such employee by virtue of the employment."); *Cupid Diaper*, 211 N.Y.S.2d at 814 ("Absent a contractual agreement not to compete, it is still considered inequitable for a former employee to take advantage of his employer's trade secrets to compete with him after leaving the employment.").

69. *See, e.g., Inland Rubber Corp.*, 210 F. Supp. at 885 (first citing *S. W. Scott & Co. v. Samuel W. Scott & Scott Fire Offs.*, 174 N.Y.S. 583 (S. Ct. 1919); and then citing *Duane Jones Co. v. Burke*, 117 N.E.2d 237 (N.Y. 1954)).

conduct when determining whether a trade secret existed.<sup>70</sup> In this era, some courts also cited *Peerless* while appearing to analyze the issue of general skills and knowledge, rather than the Memory Rule.<sup>71</sup> On this last point, it is important to recognize that many of the early cases cited as Memory Rule cases in this Article, could be argued to also (or alternatively) be general, skills, and knowledge cases. Thus, the distinction between the two doctrines is not iron-clad, particularly when considering the varying language courts have used around the country to refer to general skills and knowledge.<sup>72</sup>

Despite promulgation of the UTSA, and its adoption in many states, references to *Peerless* for the proposition that departing employees are not required to wipe clean their memories persisted through the 1980s and 1990s.<sup>73</sup> These latter cases primarily addressed the impact of remembered information with respect to whether there was a trade secret, rather than whether there was a misappropriation, continuing the approach taken by earlier courts.<sup>74</sup> However, this approach does not fit comfortably within the language of the UTSA, which provides an expansive definition of trade secret without any reference to the form in which the information is taken.

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70. See, e.g., *Arnold's Ice Cream Co. v. Carlson*, No. 71-C-464, 1971 U.S. Dist. LEXIS 12842, at \*6–7 (E.D.N.Y. June 16, 1971) (considering the departing employee's conduct in reusing remembered customer information as relevant to whether purportedly publicly-available information constitutes a trade secret); see also *TAD, Inc. v. Siebert*, 380 N.E.2d 963, 967–68 (Ill. App. Ct. 1978) (reversing lower court judgment against departing employees with respect to remembered customer information).

71. See, e.g., *Sybron Corp. v. Wetzel*, 403 N.Y.S.2d 931, 935 (App. Div. 1978) (citing indirectly to *Peerless* while reversing an injunction against the departing employee because the information at issue was simply “knowledge, skill and experience.”).

72. See *infra* Part IV.

73. See, e.g., *Catalogue Serv. of Westchester, Inc. v. Henry*, 484 N.Y.S.2d 615, 617 (App. Div. 1985) (reversing trial court's grant of preliminary injunction with respect to remembered customer information); *Moss, Adams & Co. v. Shilling*, 224 Cal. Rptr. 456, 458–59 (Ct. App. 1986) (holding that customer information was not trade secret because the names of the customers were known to the defendants from personally providing services to them and the customer addresses were readily ascertainable from publicly-available sources); *N. Atl. Instruments, Inc. v. Haber*, 188 F.3d 38, 50–51 (2d Cir. 1999) (Van Graafeiland, J., dissenting) (finding that the preliminary injunction should not be affirmed with respect to remembered customer information).

74. See *Catalogue Serv.*, 484 N.Y.S.2d at 616–17; *Moss*, 224 Cal. Rptr. at 458; *N. Atl. Instruments*, 188 F.3d at 46–47. But see *Interstate Serv. Ins. Agency, Inc. v. McIntire*, No. C-890346, 1991 Ohio App. LEXIS 20, at \*14–15 (Ct. App. Jan. 9, 1991) (taking a non-property-rights view of trade secrets and finding that “in order to misappropriate trade secrets such as customer lists it is not necessary to take physical possession of them. The principles of good faith and confidentiality can just as easily be violated by resort to one's memory.”).

Enactment of the UTSA in each state could have (and maybe should have) been the death knell for use of the Memory Rule to determine whether its status as remembered information should be relevant to determine trade secret status (as defined above, the Memory Rule Exclusion). In particular, the UTSA makes no distinction in its definition of trade secret with respect to whether the information is in memory or in tangible form.<sup>75</sup> However, “[i]n the absence of legislative intent to the contrary, prior common law which is not contradicted by the Uniform Trade Secrets Act should continue to guide courts in the interpretation of the Act.”<sup>76</sup> Accordingly, courts continued to consider information’s status as remembered information when analyzing whether the information constituted a trade secret under the UTSA, based on pre-existing common law. Nevertheless, the fact that this common law seems to directly contradict the plain wording of the UTSA provides a foundation for courts to reject the common law approach completely.

At the tail end of the twentieth century came the *Nowogroski* decision from the Washington Supreme Court.<sup>77</sup> In this decision, the court reviewed cases from around the country and ultimately concluded that the modern trend is not to follow the Memory Rule.<sup>78</sup> Accordingly, this decision seemed to signal the end of the Memory Rule, but as discussed in the next section, the court’s actual holding was not quite so broad.

As detailed above, for most of the twentieth century, courts accepted the notion that departing employees could avoid liability for remembered information (particularly, customer information). However, many of these courts were not specific as to whether liability was avoided because the employee’s conduct was not sufficient to establish misappropriation or because remembered information could not be a trade secret. In those instances where courts were specific, the courts would suggest that liability did not attach because the information was not a trade secret. This confused and inconsistent history of the Memory Rule sets the stage for the 1999 decision in *Nowogroski*, which I will take up next.

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75. *But see* Avnet, Inc. v. Wyle Lab’ys, Inc., 437 S.E.2d 302, 305 (Ga. 1993) (suggesting that the word “lists” in the Georgia UTSA version referred to only tangible lists, not remembered information).

76. *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936, 945 (Wash. 1999).

77. *Id.* at 948.

78. *Id.* at 946–48.

## B. Nowogroski v. Rucker

The case cited in the *Restatement (Third) of Agency* for the proposition that “[m]ost recent cases do not follow the ‘memory rule’” is *Nowogroski v. Rucker*.<sup>79</sup> Considering this decision’s impact on the way remembered information is treated in trade secret cases, it merits some detailed consideration here.

In *Nowogroski*, the defendants were former employees of an insurance company who took customer information with them to their subsequent employer and used the information to solicit their previous employer’s customers.<sup>80</sup> The twist is that one of the former employees did not rely on tangible documents to solicit the previous employer’s customers and instead relied on his memory.<sup>81</sup> The trial court found this fact to be important and found liability against the employees that used tangible documents but limited the liability of the employee that relied on his memory.<sup>82</sup> To reach this result, the trial court concluded that the UTSA (Washington’s version) displaced the common law rule with respect to remembered information, which would have imposed liability on the employee for the remembered information.<sup>83</sup> Importantly, the trial court found that the information was a trade secret, but that the fact it was remembered rather than taken in tangible form meant that there was no liability for that defendant with respect to the remembered information.<sup>84</sup>

The Washington Court of Appeals reversed the portion of the trial court’s decision related to the remembered information and held that “the common law rule prohibiting the solicitation of a former employer’s customers with memorized confidential information remains intact under the UTSA.”<sup>85</sup> The Court of Appeals went on to state that the “UTSA focuses on the nature of the information, not the form in which it exists. Thus, the distinction between written and memorized information is without legal significance.”<sup>86</sup> The Washington Supreme Court took the case to decide

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79. See RESTATEMENT (THIRD) OF AGENCY § 8.05 cmt. b (AM. L. INST. 2006).

80. 971 P.2d at 937–38.

81. *Id.* at 938.

82. *Id.* at 940.

83. *Id.*

84. *Id.*

85. *Id.* at 940.

86. *Id.*

whether “information which has been determined to be a trade secret, under the definition in the Uniform Trade Secrets Act, lose[s] its protected status because it has been committed to memory rather than taken in written form.”<sup>87</sup>

In order to answer this question, the court first acknowledged the trial court’s conclusion that the information at issue met the statutory definition of a trade secret and that customer lists are protectable as trade secrets.<sup>88</sup> Next, the court looked to the *Restatement (Second) of Agency* and its comment regarding the Memory Rule.<sup>89</sup> The court then addressed some sources critical of the Memory Rule and “decline[d] to adopt the Restatement . . . of Agency’s ‘memory rule.’”<sup>90</sup>

In support of its position on the Memory Rule, the court surveyed multiple cases from other jurisdictions and ultimately concluded that the “weight of modern authority is that the manner of taking a trade secret is irrelevant.”<sup>91</sup> This is the statement for which this case is often cited, but the statement itself is actually an overbroad statement of the court’s holding because, as detailed below, the court was only deciding the issue with respect to the Existence Stage, not the Conduct Stage, of the misappropriation analysis.

The biggest challenge with the *Nowogroski* decision is that, throughout the decision, the court conflates the analysis of whether a trade secret exists (at the Existence Stage) with the

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87. *Id.* at 941. It is important to note that this court engaged in *de novo* review of the lower court’s decision because “[w]hether memorized information can be protected by the Uniform Trade Secrets Act is a question of law dependent on interpretation of the statute.” *Id.* Had the court been addressing whether the use of memorized information in this case constituted misappropriation, the court would have been reviewing a fact issue and thus applied a lesser standard of review. To be fair though, the parties did not appeal the lower court’s decision on the misappropriation issue, so that issue was not before this court. *Id.* at 942–43.

88. *Id.* at 942.

89. *Id.* at 945. The *Restatement* states in comment b:

[A]lthough an agent cannot properly subsequently use copies of written memoranda concerning customers, which were entrusted to him or made by him for use in the principal’s business, or processes which the employer has kept secret from other manufacturers, he is normally privileged to use, in competition with the principal, the names of customers retained in his memory as the result of his work for the principal and also methods of doing business and processes which are but skillful variations of general processes known to the particular trade.

RESTATEMENT (SECOND) OF AGENCY § 396 cmt. b (AM. L. INST. 1958).

90. *Nowogroski*, 971 P.2d at 945.

91. *Id.* at 947–48.

analysis of whether a misappropriation has occurred (at the Conduct Stage). For example, the court states, “The Petitioners in the present case do not argue that the trial court erred in concluding that they ‘misappropriated’ a trade secret; rather, they argue that information in the memory of the employee about a customer list is not a trade secret,”<sup>92</sup> but then the court goes on to reframe the question as “whether the fact that the customer information was in one of the employee’s memory allows him to use with impunity the information which was otherwise a trade secret under our statute.”<sup>93</sup> The first statement is clearly directed to the Existence Stage issue, but the second statement appears to be directed at the Conduct Stage issue. However, the court is only deciding the Existence Stage issue on appeal.<sup>94</sup>

Later, again purporting to analyze whether remembered information can constitute a trade secret, the court quotes from a Practising Law Institute article stating: “If the subject matter truly is a trade secret, deciding whether there has been misappropriation should not be based on anatomical distinctions. It should make no difference whether the ex-employee uses his or her head or hands to effect the appropriation.”<sup>95</sup> This statement in the PLI article seems to squarely address the issue of whether a misappropriation has occurred once the information’s status as a trade secret has already been determined. Consequently, the court purports to be analyzing whether remembered information can constitute a trade secret, but the source the court is looking to in its analysis is actually focused more on whether a misappropriation occurred. But by the court’s own admission, this latter issue was not before the court.<sup>96</sup>

This inconsistent approach is problematic because it leads the court to make sweeping statements that are not accurate representations of the statutory language. For example, the court states: “[t]he form of information, whether written or memorized, is immaterial under the trade secret statute; the Uniform Trade Secrets Act makes no distinction about the form of trade secrets.”<sup>97</sup> It is not clear whether the court was referring solely to the definition of

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92. *Id.* at 943.

93. *Id.* at 938.

94. *Id.* at 941.

95. *Id.* at 945.

96. *Id.* at 941.

97. *Id.* at 948.



“trade secret” in drawing this conclusion or if it was referring to the whole statute. However, if the court was referring to the whole statute, this statement would seem to directly contradict the definition of misappropriation that points to use of a trade secret by a person who “knew or had reason to know that his knowledge of the trade secret was . . . acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use.”<sup>98</sup> The fact that information was taken in memory, rather than in tangible form, would seem to be quite relevant as to whether this conduct meets the definition of misappropriation under the statute. At least at the lower court level, the court seemed to place importance on this distinction. Conversely, if the court was referring exclusively to the definition of trade secret in the statute, the court’s statement would be entirely correct. Thus, this statement by the court should be best understood as only being applicable at the Existence Stage of a case.

Another challenge with the *Nowogroski* decision is where the court states that:

The unfairness of the trial court’s rule excluding damages for memorized trade secrets is highlighted in the present case where both Rieck and Kiser engaged in essentially the same conduct and paid dramatically different damages based on the fact that Mr. Rieck claimed to have remembered his top 50 customers.<sup>99</sup>

It is not clear how the court considers these two defendants to have “engaged in essentially the same conduct” when Kiser took, and refused to return, documents to the former employer, while Rieck merely retained the information in his own memory, which he obviously could not return, even if requested to do so.<sup>100</sup> In fairness though, this may be another instance of the court conflating the Existence Stage with the Conduct Stage. In other words, the court may be referring to “use” in the definition of misappropriation as the “essentially the same conduct” that leads to the purported unfairness. But that would only be relevant for the Conduct Stage of the analysis, which the court does not purport to be addressing in this appeal. In short, the court is either saying that

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98. UNIF. TRADE SECRETS ACT § 1(2) (UNIF. L. COMM’N 1985). Note that this is only one portion of the definition of “misappropriation” in the statute, but this is the portion of the definition that would be most relevant to the departing employee situation. Moreover, this is the portion of the Washington UTSA version that the Court says applies in this case. See *Nowogroski*, 971 P.2d at 942.

99. 971 P.2d at 947.

100. *Id.* at 947.

intentionally retaining and withholding documents from your former employer is no different than remembering information or the court is conflating its analysis of the issue before it. Either way, this is another reason the *Nowogroski* opinion is challenging with respect to establishing a significant legal principle like the demise of the Memory Rule.

Ultimately, the court concludes: “[the] weight of modern authority is that the manner of taking a trade secret is irrelevant.”<sup>101</sup> This is the proposition for which the case is cited in the *Restatement*, but the *Restatement* does not clarify that this statement only applies to whether the trade secret exists not whether there was a misappropriation. Moreover, some courts citing *Nowogroski* have recognized this point,<sup>102</sup> but in other cases, citing courts have not appreciated the distinction.<sup>103</sup> Thus, rather than clearing the air with respect to remembered information, *Nowogroski* has, in some cases, made the issue cloudier.

Most of these issues with the *Nowogroski* decision can be reconciled by simply acknowledging that the case stands for the straight-forward proposition that, when information otherwise qualifies as a trade secret, the fact that the information was taken in memory rather than in tangible form does not cause the

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101. *Id.* at 948.

102. *See* Calisi v. Unified Fin. Servs., LLC, 302 P.3d 628, 631 (Ariz. Ct. App. 2013) (citations omitted) (“In the context of customer lists, trade secret protection does not depend on whether the ‘list’ misappropriated is in written form or memorized . . . . Rather, courts have identified several factors to determine whether a customer list qualifies as a trade secret.”); Earthbound Corp. v. MiTek USA, Inc., No. CV16-7223 DMG (JPRx), 2017 U.S. Dist. LEXIS 174209, at \*41 (C.D. Cal. Feb. 10, 2017) (“Washington courts have made clear that ‘trade secret protection does not depend on whether the list is taken in written form or memorized.’”); Pac. Aerospace & Elecs., Inc. v. Taylor, 295 F. Supp. 2d 1205, 1211–12 (E.D. Wash. 2003) (“The specific holding of the state supreme court in *Nowogroski* [sic] was that even customer information which is simply committed to the memory of a former employee can be a trade secret which is subject to misappropriation.” (citing *Nowogroski*, 971 P.2d at 948)); Pelican Bay Forest Prods., Inc. v. W. Timber Prods., Inc., 443 P.3d 651, 659 (Or. Ct. App.) (“Simply put, as the Washington Supreme Court and others have recognized in interpreting the Uniform Trade Secrets Act, nothing in the terms of the Uniform Trade Secrets Act suggests that information otherwise constituting a trade secret would lose that status simply because a person is able to take that information in an intangible form.”).

103. *See* Guidance Residential, LLC v. Mangrio, 2017 Wash. App. LEXIS 2856, at \*2, \*8–9, \*19–21 (Ct. App. Dec. 18, 2017) (concluding the information at issue was a trade secret, the court goes on to analyze whether a misappropriation occurred and cites *Nowogroski* for the proposition that whether the information was memorized was irrelevant to the misappropriation analysis); People Experts CA, Inc. v. Engstrom, 2017 U.S. Dist. LEXIS 154524, at \*14–15, \*21–22 (E.D. Cal. Sept. 21, 2017) (determining the information was a trade secret, the court analyzed whether misappropriation had occurred, citing *Nowogroski* for the proposition that trade secret protection was not lost if memorized and not in writing).

information to lose its status as a trade secret. In other words, the Memory Rule Exclusion has limited, if any, continuing validity.<sup>104</sup> However, asserting the decision stands for the proposition that whether the information is remembered or tangible is irrelevant to a trade secret misappropriation (in other words, stating that both the Memory Rule Exclusion and the Memory Rule Defense are no longer valid) is not consistent with the actual holding of the court on the issue before it. In particular, the court spent extensive analysis looking to the definition of trade secret under the UTSA and reconciling that with the Memory Rule.<sup>105</sup> The court did not do any analysis of whether the information's status as remembered information impacts the misappropriation portion of the statute because that issue was not before the court.<sup>106</sup> Accordingly, it would be inappropriate to cite the case for the proposition that remembered information is irrelevant for purposes of determining misappropriation at the Conduct Stage. Thus, *Nowogroski* is best understood as reflecting the modern trend that the Memory Rule Exclusion is not generally followed, but the decision should have no applicability as to the status of the Memory Rule Defense. As detailed in the next section, some later courts citing this decision recognize its limited holding, but others do not.

### C. *The Status of the Memory Rule after Nowogroski*

Despite *Nowogroski*'s suggestion that the Memory Rule is a dead letter, as further described in this Section, multiple courts around the country continue to wrestle with whether remembered information requires a different analysis or a different result in a trade secret misappropriation action, with many courts finding that it does. Additionally, some courts cite to *Nowogroski* for the, as argued above, incorrect proposition that remembered information is irrelevant in a trade secret misappropriation claim and go on to impose liability for remembered information. A sampling of cases

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104. Despite no explicit support in the UTSA or DTSA for the Memory Rule Exclusion, some courts could continue to follow the common law rule even though, as stated in *Nowogroski*, the weight of modern authority is against this approach. *Nowogroski*, 971 P.2d at 943–48. See generally UNIF. TRADE SECRETS ACT (UNIF. L. COMM'N 1985); Defend Trade Secrets Act of 2016, 18 U.S.C. §§ 1833, 1836, 1838–39.

105. *Nowogroski*, 971 P.2d at 940–48.

106. See *id.* at 940–41 (noting that the only issue before the court was whether memorized information constituted trade secrets).

from around the country demonstrates the confusion stemming from the *Nowogroski* decision.

A first example is *Pelican Bay Forest Products, Inc. v. Western Timber Products, Inc.*<sup>107</sup> In *Pelican Bay*, the lower court found that there was a question of fact as to whether the remembered information was a trade secret but granted summary judgment with regard to misappropriation because there were no improper means sufficient to establish misappropriation.<sup>108</sup> The appeals court rejected the relevance of the fact that the information at issue was remembered at the Existence Stage and says that the plain language of the Oregon UTSA does not allow such a distinction.<sup>109</sup> The *Pelican Bay* court did not go on to address whether the fact that the information was remembered is relevant at the Conduct Stage, however.<sup>110</sup> Accordingly, the *Pelican Bay* analysis fits comfortably within the *Nowogroski* decision with respect to the impact of remembered information at the Existence Stage but does not provide any insight as to how remembered information should be addressed at the Conduct Stage.

A second example from the same court is *Peterson Machinery Co. v. May*.<sup>111</sup> *Peterson* was an appeal from the grant of summary judgment in favor of the departing employee in which some of the purported trade secrets were alleged to be only in the employee's memory.<sup>112</sup> With respect to the remembered information, the court cast doubt as to whether the particular information was trade secret, but nonetheless addressed the remembered information primarily at the Conduct Stage.<sup>113</sup> This court cites to *Pelican Bay* and reaffirms the position that remembered information can still constitute a trade secret under the UTSA (Oregon's version).<sup>114</sup> Ultimately, the *Peterson* court affirms the lower court's grant of summary judgment of no misappropriation,<sup>115</sup> citing to *Peerless* for the

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107. 443 P.3d 651 (Or. Ct. App.), *review denied*, 453 P.3d 544 (Or. 2019).

108. 443 P.3d at 654–56.

109. *Id.* at 659 (“We thus agree with the analysis of the Washington Supreme Court and, for that reason, reject the argument that the information taken by Kelley is not a trade secret for purposes of the Uniform Trade Secrets Act simply because he used his memory to take it.” (citing *Nowogroski*, 971 P.2d at 947–48))).

110. *Id.* at 659–60.

111. 496 P.3d 672 (Or. Ct. App. 2021).

112. *Id.* at 673.

113. *Id.* at 682–84.

114. *Id.* at 679–80.

115. *Id.* at 683–84 (“May’s ability to remember information that he learned when he was working at Peterson and evidence of his continued use of his relationships that he developed

proposition that departing employees are not required to wipe clean their memories.<sup>116</sup> Accordingly, this court properly recognizes that the *Nowogroski* decision applies at the Existence Stage and the fact that information is remembered can still be relevant at the Conduct Stage.

An example from the courts in California is *PEO Experts CA, Inc. v. Engstrom*.<sup>117</sup> In *PEO*, the court determines that the information at issue (customer information) is a trade secret without any reference to the fact that the information was remembered, rather than taken in tangible form.<sup>118</sup> However, the court does address the remembered information issue when evaluating the likelihood of success with respect to misappropriation (in other words, at the Conduct Stage).<sup>119</sup> In this analysis, the court cites to *Nowogroski* to support the notion that the plaintiffs were likely to succeed on their misappropriation claim even though the information was taken in memory instead of in tangible form.<sup>120</sup> As discussed above, this is not a correct application of the holding in *Nowogroski*.<sup>121</sup>

Another California decision is *Lillge v. Verity*.<sup>122</sup> *Lillge* is another departing employee case addressing solicitation of the former employer's customers.<sup>123</sup> The court first analyzes whether the customer information at issue constitutes a trade secret.<sup>124</sup> The court determines that the information is a trade secret without ad-

while working as an employee of Peterson are insufficient to create a genuine issue of material fact to support a claim of misappropriation of trade secrets.”).

116. *Id.*

117. No. 2:17-cv-00318-KJM-CKD, 2017 U.S. Dist. LEXIS 154524 (E.D. Cal. Sept. 21, 2017).

118. *Id.* at \*19–20.

119. *Id.* at \*23–24.

120. *Id.* at \*22 (“Because Wakefield was privy to this information only through his prior work as a Bixby employee, this fact could be enough to support Bixby’s misappropriation claim.” (first citing *JustMed, Inc. v. Byce*, 600 F.3d 1118, 1130 (9th Cir. 2010) (explaining that soliciting customers through the use of trade secret information constitutes misappropriation); then citing *Reid v. Mass Co.*, 318 P.2d 54, 60 (Cal. Ct. App. 1957) (“[I]t is not necessary to show that the employee actually used [a customer list] if he carried it in his mind or memory.”); and then citing *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936, 948 (Wash. 1999) (holding that a trade secret did not lose its protected status when committed to memory rather than writing))).

121. *See supra* Section III.B.

122. *Lillge v. Verity*, No. C 07-2748 MHP, 2007 U.S. Dist. LEXIS 73543 (N.D. Cal. Oct. 2, 2007), *granted in part, rev’d in part*, No. C 07-2748 MHP, 2008 U.S. Dist. LEXIS 26164 (N.D. Cal. Mar. 31, 2008).

123. *Id.* at \*6–7.

124. *Id.* at \*9–10.

addressing the fact that the information was remembered rather than taken in tangible form.<sup>125</sup> Next, the court goes on to determine the plaintiff's likelihood of success on the misappropriation element and determines that the plaintiff is not likely to succeed.<sup>126</sup> In particular, the court finds that use of the remembered information does not constitute misappropriation.<sup>127</sup>

The next case, *Bihner v. Bihner Chen Engineering, Ltd.*,<sup>128</sup> comes out of Texas, which has long opposed the Memory Rule.<sup>129</sup> In this case, the appeals court was reviewing the grant of a temporary injunction in favor of the plaintiff.<sup>130</sup> At the Existence Stage, the court found that the fact that the information was remembered was of no importance under the plain language of the UTSA (Texas's version), similar to the *Nowogroski* decision.<sup>131</sup> At the Conduct Stage, the court only mentions the fact that the information was retained in memory in passing and gives no import to that fact in its decision to affirm the grant of the injunction.<sup>132</sup> Accordingly, this court found the remembered information issue to not be relevant at the Existence Stage of the misappropriation claim but left open the possibility that it could be relevant at the Conduct Stage.

The final case, *First National Bancorp Inc. v. Alley*, comes out of New Mexico.<sup>133</sup> *First National* is another departing employee, customer list case.<sup>134</sup> Although not referring explicitly to the Memory Rule (other than in a citation to *Nowogroski*), this court recognizes

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125. *Id.* at \*9–14.

126. *Id.* at \*19.

127. *Id.* at \*16–17 (“[T]o the extent that defendants may derive advantages through their personal knowledge of CMC’s customers rather than reliance on confidential information, these advantages are not proscribed by trade secret law. Here, Verity has testified that he has deleted whatever customer data he may have taken from CMC and has instead sought to exploit the personal and professional relationships developed by Chang and himself before leaving CMC. ‘Equity has no power to compel a man who changes employers to wipe clean the slate of his memory.’” (quoting *Moss, Adams & Co. v. Shilling*, 179 Cal. App. 3d 124, 128 (App. Ct. 1986))).

128. No. 01-21-00086-CV, 2021 Tex. App. LEXIS 7563 (Tex. Ct. App. Sept. 14, 2021).

129. *Id.* at \*17 (“Even before the legislature enacted TUTSA, it has been recognized that ‘Texas courts . . . do not apply the memory rule.’” (quoting *M. N. Dannenbaum, Inc. v. Brummerhop*, 840 S.W.2d 624, 632 (Tex. Ct. App. 1992))).

130. *Id.* at \*1.

131. *Id.* at \*16–17; *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936, 940, 945, 948 (Wash. 1999).

132. *Bihner*, 2021 Tex. App. LEXIS 7563, at \*19–21.

133. Civ. No. 14-00387 MCA/WPL, 2014 U.S. Dist. LEXIS 188316 (D.N.M. July 7, 2014).

134. *Id.* at \*3–4.

that New Mexico follows the substance of the rule.<sup>135</sup> However, this court's formulation of the rule is much more consistent with applying the rule to determine whether there has been a misappropriation (in other words, applying the Memory Rule Defense) as opposed to determining whether a trade secret exists (applying the Memory Rule Exclusion). Indeed, the *First National* court questions, but does not decide, whether a remembered customer list can constitute a trade secret, but then goes on to address the remembered information issue as part of its misappropriation analysis.<sup>136</sup> In particular, the court finds that the use of remembered customer information is neither improper means nor breach of a duty to maintain secrecy (in the absence of a confidentiality agreement).<sup>137</sup> This court has a much more nuanced reference to *Nowogroski* in that it cites the decision for "recognizing that whether Uniform Trade Secret Act abrogates common-law 'memory rule' with respect to former employee's solicitation of former employer's customers may depend on the common-law rule in effect at the time a jurisdiction adopted the UTSA."<sup>138</sup> The court was obviously aware of the *Nowogroski* decision, but chose not to cite it for the broad proposition against the Memory Rule for which it is often cited. Instead, this court suggests that *Nowogroski* must be viewed in the context of the pre-existing common law in each jurisdiction.<sup>139</sup>

As shown by these cases, all arising after *Nowogroski*, the issue of whether remembered information can form the basis of liability for trade secret misappropriation was not settled by the *Nowogroski* decision. Instead, courts around the country continue to wrestle with the issue, even when citing to *Nowogroski*. Some

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135. *See id.* at \*23–24 ("New Mexico common law allows a former employee to use knowledge of the identities of clients of the former employer retained in the employee's memory to compete with the former employer.").

136. *Id.* at \*24–26 ("The Court concludes that the rule of *Diehl* remains good law and therefore Defendants' use of the recollected names of FSFA's clients does not constitute misappropriation of a trade secret.").

137. *Id.* at \*25–26 ("An employee's recollection of the names of a former employer's clients does not fit comfortably within § 57-3A-2(A)'s definition of 'improper means.' . . . 'When leaving one company for another, an employee is not required to have a partial lobotomy to remove all information relevant to his former position.' . . . [A] former employee has a common-law right to use the recalled identities of the former employer's clients to compete with the former employer, and in the absence of a confidentiality agreement or a covenant not to compete, the former employee's disclosure or use of the recalled identities of the former employer's clients cannot be said to be in breach of a duty to maintain secrecy." (quoting *Winner Logistics, Inc. v. Lab. & Logistics, Inc.*, 23 Pa. D. & C.5th 463, 467 (C.P. Phila. 2011))).

138. *Id.* at \*26 (citing *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936, 946 n.6 (Wash. 1999)).

139. *Id.*

courts have properly recognized that the *Nowogroski* decision is informative solely with respect to the Existence Stage of a misappropriation case, while others have not.

*D. The Reports of the Memory Rule's Demise May Have Been Greatly Exaggerated*

The issue of what to do about remembered information has been a part of trade secret law since its earliest days.<sup>140</sup> Customer lists are a special case of this issue, but also the issue that courts most often faced in the early days.<sup>141</sup> Courts took varying approaches to the issue, with some of them adopting what came to be known as the Memory Rule.<sup>142</sup> However, other options were possible.

One way that courts could have addressed the customer list cases was to recognize that, in some cases, customer lists were not protected because they were readily ascertainable.<sup>143</sup> This analysis would have fit well within the subsequently-developed UTSA/DTSA statutory scheme because readily ascertainable is one of the elements of the trade secrets definition. However, in some cases, the courts did not base their decision on whether the information was readily ascertainable; these courts focused on the fact that the information was taken in memory in deciding whether the information was a trade secret.<sup>144</sup> Those cases are not a good fit for the subsequent statutory regime because the form of the taking of the information is not addressed in the definition of trade secrets under either the UTSA or the DTSA.<sup>145</sup> Thus, these latter cases, applying the Memory Rule Exclusion, are not a good fit for the current statutory approach to trade secret protection in the United States. A better approach, and one that is more consistent with the statutes, would be to address remembered information at the mis-

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140. See *supra* Section III.A.

141. See *supra* note 54 and accompanying text.

142. See, e.g., Ptak, *supra* note 36, at 698–701 (discussing the variation in customer list jurisprudence by jurisdiction).

143. See, e.g., *Nowogroski*, 971 P.2d at 943–44 (reviewing customer list cases from multiple jurisdictions, some of which addressed ascertainability of the information at issue).

144. See, e.g., *Woolley's Laundry, Inc. v. Silva*, 23 N.E.2d 899, 391–92 (Mass. 1939) (reversing injunction against departing employee because the customer information was retained solely in memory); *Fleisig v. Kossoff*, 85 N.Y.S.2d 449, 452, 454 (Sup. Ct. 1948) (affirming limited injunction because not all the customer information was taken solely in memory).

145. UNIF. TRADE SECRETS ACT (UNIF. L. COMM'N 1985); Defend Trade Secrets Act of 2016, 18 U.S.C. §§ 1833, 1836, 1838–39.



appropriation stage.<sup>146</sup> More precisely, taking the Memory Rule Defense approach is more clearly consistent with the UTSA and DTSA and, as discussed in the previous section, courts in some jurisdictions appear to be heading in that direction.

In the *Nowogroski* decision, the Supreme Court of Washington proclaimed that the “weight of modern authority is that the manner of taking a trade secret is irrelevant.”<sup>147</sup> Perhaps it would have been more accurate to say that most recent cases do not determine whether information is a trade secret based upon the form in which the information was taken. This latter statement would have been entirely consistent with the cases reviewed in the *Nowogroski* decision<sup>148</sup> and, indeed, would have been a better characterization of the court’s own analysis and decision. In any case, the more sweeping pronouncement of the court has taken hold and even been cited in the *Restatement of Agency* and several treatises.<sup>149</sup> Whether the statement was true when made is debatable, but it certainly does not seem to be true today. As courts continue to wrestle with the issue of remembered information, and being left with few other options, the Memory Rule Defense continues to be relevant. Thus, rather than being a dead letter, the Memory Rule has continued viability, particularly when used to determine misappropriation, rather than the existence of a trade secret.

#### IV. GENERAL SKILLS, KNOWLEDGE, AND EXPERIENCE

Another way in which remembered information can be relevant in a trade secret case is through application of the General Skills,

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146. An example of this approach is used in *American Credit Indemnity Co. v. Sacks*, 262 Cal. Rptr. 92, 100 (Ct. App. 1989), where the court recognized that the customer information was a trade secret, but still acknowledged that certain uses (announcement of a new position) did not constitute misappropriation, based on common-law development of the issue.

147. *Nowogroski*, 971 P.2d at 948.

148. See, e.g., *Stampede Tool Warehouse, Inc. v. May*, 651 N.E.2d 209, 217 (Ill. App. Ct. 1995) (“Using memorization to rebuild a trade secret does not transform that trade secret from confidential information into non-confidential information.”); *Morlife, Inc. v. Perry*, 66 Cal. Rptr. 2d 731, 736 (Ct. App. 1997) (stating that whether information is taken in tangible form or the employee’s memory does not change its status as trade secret information); *Allen v. Johar, Inc.*, 823 S.W.2d 824, 827 (Ark. 1992) (“We believe that whether the customer information used was written down or memorized is immaterial, and the proper issue is whether the information is protectable as a trade secret.”). However, this is not to suggest that these cases are uniformly clear on this point. In particular, the *Stampede Tool* case also seems to conflate the analysis of whether the memorized/tangible distinction applies at the Existence Stage or the Conduct Stage. See 651 N.E.2d at 216–17.

149. See sources cited *supra* notes 21–22.

Knowledge, and Experience Exclusion (“GSKEE”).<sup>150</sup> The GSKEE has its roots in the common law and is not included explicitly in either the UTSA or the DTSA.<sup>151</sup> Owing to its common law development, the GSKEE exists under many different names in different jurisdictions around the country. For instance, some courts refer to “general skills and knowledge,”<sup>152</sup> while other courts refer to “general experience, knowledge, memory and skill”<sup>153</sup> or “experience, skill, acumen, memory and general knowledge.”<sup>154</sup> Nevertheless, the overall concept is that there is some general skill or knowledge that an employee can use after leaving their employment without incurring trade secret liability.

The GSKEE applies at the Existence Stage of a misappropriation case and thus the impact of the GSKEE applying in a particular case is that the information at issue cannot be a trade secret.<sup>155</sup> The exact scope of these two categories (protectable trade secret versus unprotectable general skills and knowledge) has never been fully resolved however.<sup>156</sup> As relevant here, the distinction does not

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150. There is not one universal name for referring to an employee’s general skills, knowledge, experience, memory, etc. See Hrdy, *supra* note 9, at 2419–20 n.68. For purposes of this Article, I will use the acronym “GSKEE,” even though different courts and commenters use different terms. Professor Camilla Hrdy provides a well-reasoned and compelling argument that general skills and knowledge should be considered an “[e]xclusion” (as opposed to a subject matter bar). See *id.* at 2446. While other options are possible (for example, defense, immunity, implied license, fair use, and the like), none of these are a perfect fit for the doctrine, and in some cases (like defense) are no fit at all. Accordingly, I will follow Professor Hrdy’s lead and use the exclusion approach.

151. See, e.g., *Schulenburg v. Signatrol, Inc.*, 212 N.E.2d 865, 869 (Ill. 1965) (“It is clear that an employee may take with him, at the termination of his employment, general skills and knowledge acquired during his tenure with the former employer.”); *Rem Metals Corp. v. Logan*, 565 P.2d 1080, 1083 (Or. 1977) (“It has been uniformly held that general knowledge, skill, or facility acquired through training or experience while working for an employer appertain exclusively to the employee.” (emphasis omitted) (quoting Harlan M. Blake, *Employee Agreements Not to Compete*, 73 HARV. L. REV. 625, 652 (1960))).

152. See e.g., *Sys. Dev. Servs., Inc. v. Haarmann*, 907 N.E.2d 63, 73 (Ill. App. Ct. 2009); *Selox, Inc. v. Ford*, 675 S.W.2d 474, 476 (Tenn. 1984); *Eng’g Assocs., Inc. v. Pankow*, 150 S.E.2d 56, 58–59 (N.C. 1966).

153. *Md. Metals, Inc. v. Metzner*, 382 A.2d 564, 573 (Md. 1978).

154. *Perfect Measuring Tape Co. v. Notheis*, 114 N.E.2d 149, 152 (Ohio Ct. App. 1953).

155. See *Stampede Tool Warehouse, Inc. v. May*, 651 N.E.2d 209, 215–16 (Ill. App. Ct. 1995); see also Timothy Murphy, *How Can a Departing Employee Misappropriate Their Own Creative Outputs?* 66 VILL. L. REV. 529, 554 (2021) (discussing a proposal with respect to employee-created innovation that rests on the fact that general skills and knowledge does not constitute a trade secret).

156. See, e.g., *Mallet & Co. v. Lacayo*, 16 F.4th 364, 386 (3d Cir. 2021) (“Admittedly, the line distinguishing between the two—an employee’s general knowledge or skill and an employer’s protectable trade secrets—may often be difficult to draw.”); Letty S. Friesen, Update, *Distinguishing between an Employee’s General Knowledge and Trade Secrets*, 23 COLO. LAW. 2123–24 (1994) (discussing factors courts look to in distinguishing between trade

necessarily turn on whether the particular information at issue is taken in tangible form or only in memory.<sup>157</sup> However, the fact that particular information is taken solely in memory may make it more likely that a court finds the GSKEE applicable to the information.<sup>158</sup> Thus, the GSKEE is another doctrine under which the distinction between information taken in tangible form and remembered information can be relevant in a trade secret misappropriation claim. However, the GSKEE has multiple challenges in practice when viewed in the context of remembered information.

One of the challenges with the GSKEE becoming a general exculpatory rule for remembered information is that many courts treat it in a circular fashion.<sup>159</sup> In these cases, courts suggest that the GSKEE does not apply if the information is trade secret but, if the GSKEE applies, the information cannot be a trade secret.<sup>160</sup> In view of this obvious circularity in reasoning, it is important to note that if the information is not a trade secret, then the defendant

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secrets and general skills and knowledge); Miles J. Feldman, *Toward a Clearer Standard of Protectable Information: Trade Secrets and the Employment Relationship*, 9 HIGH TECH. L.J. 151, 165 (1994) (reviewing cases distinguishing between “know how” and “general knowledge and skill”); Kurt M. Saunders & Nina Golden, *Skill Or Secret?—The Line Between Trade Secrets and Employee General Skills and Knowledge*, 15 N.Y.U. J.L. & BUS. 61 (2018) (discussing the distinction between trade secrets and general skills and knowledge); see also *E. I. du Pont De Nemours Powder Co. v. Masland*, 216 F. 271, 272 (E.D. Pa. 1914) (“This right of the employe [sic] and his obligation to preserve to the full the property rights of the employer are shaded into each other by lines so fine that it is doubtful whether anything but a nice sense of honor can keep them distinguished.”). For a proposed framework of how courts might apply the exclusion, see Hrdy, *supra* note 9, at 2464–72.

157. *Compare Stenstrom Petroleum Servs. Grp., Inc. v. Mesch*, 874 N.E.2d 959, 965, 974–75 (Ill. App. Ct. 2007) (denying a preliminary injunction to the left-behind employer because the information in the computer files copied onto a “travel drive” by the departing employee constituted the employee’s general skills and knowledge and/or publicly-available information), with *ISO Claims Partners, Inc. v. Cassavoy*, No. SUCV2017-575, 2017 Mass. Super. LEXIS 35, at \*12 (Mar. 20, 2017) (“[Defendant’s] memory of decision-maker contacts likely qualifies as ‘general skill or knowledge.’”).

158. See, e.g., *Fleming Sales Co. v. Bailey*, 611 F. Supp. 507, 514 (N.D. Ill. 1985) (discussing general skills and knowledge as “[t]hose . . . things an employee is free to take and . . . use in later pursuits, especially if they do not take the form of written records, compilations or analyses”).

159. See, e.g., *Hayes-Albion v. Kuberski*, 364 N.W.2d 609, 614 (Mich. 1984) (“[A]lthough [the defendant] is free to compete with plaintiff using his general skill or knowledge, he may not use plaintiff’s trade secrets.”); *Interstate Serv. Ins. Agency v. McIntire*, Nos. C-890346 & C-890399, 1991 Ohio App. LEXIS 20, at \*15 (Ohio Ct. App. Jan. 9, 1991) (“Although former employees have a right to compete for the business of their former employer’s customers, and in the exercise of that right can take with them general skills and knowledge that they have learned . . . they cannot take with them, and appropriate for their own use, their ex-employer’s trade secrets, even if those secrets have become so familiar to the former employees that they no longer need to see them in writing.” (citation omitted)).

160. See cases cited *supra* note 159.

does not need to rely upon the GSKEE to avoid liability because the plaintiff's case would fail at the Existence Stage. It is only when the information is found to be a trade secret that the defendant needs to avail themselves of the GSKEE. This circularity causes courts to try to find some distinguishing characteristic of the information so they can determine the information is or is not general skills and knowledge without first determining the information is a trade secret.<sup>161</sup> Consequently, when the GSKEE is at issue, courts may blend analysis of the GSKEE together with the determination of whether a trade secret exists. Thus, the GSKEE does not provide a reasonably predictable approach for dealing with any particular information, much less remembered information.

Another challenge with the GSKEE is that, to the extent we embrace the notion that trade secret liability should only arise based upon some culpable conduct,<sup>162</sup> the GSKEE is a poor fit for determining trade secret liability because it does not base liability upon any type of bad conduct. Instead, whether litigated information fits within the GSKEE will determine whether the information qualifies as a trade secret (with respect to the alleged misappropriator), rather than whether there was a misappropriation. In other words, in the UTSA/DTSA era, the GSKEE has the effect of overriding the explicit statutory provision defining a trade secret, much like the Memory Rule Exclusion version of the Memory Rule.

In addition to not assigning liability based on culpability, tying liability to the individual attributes of the departing employee presents additional challenges. Some of the factors that courts use in determining whether the GSKEE applies are specific to the individual alleged misappropriator.<sup>163</sup> This makes it entirely possible

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161. *See, e.g.,* *Burt Dickens & Co. v. Bodi*, 494 N.E.2d 817, 819 (Ill. App. Ct. 1986) (“[W]hile an employee, at the termination of his employment, can take with him general skills and knowledge acquired during the course of his employment, he may not take confidential particularized information disclosed to him during the time the employer-employee relationship existed which are unknown to others in the industry and which give the employer advantage over his competitors.”); *Selox, Inc. v. Ford*, 675 S.W.2d 474, 476 (Tenn. 1984) (“A line must be drawn between the general skills and knowledge of the trade and information that is peculiar to the employer’s business.” (quoting RESTATEMENT (SECOND) OF CONTS. § 188 cmt. g (AM. L. INST. 1981))).

162. *See supra* note 16.

163. *See, e.g.,* *Midwest Micro Media, Inc. v. Machotka*, 395 N.E.2d 188, 192 (Ill. App. Ct. 1979) (finding that because defendant helped create the information at issue, it was the defendant’s “personal skills and abilities” and couldn’t be a trade secret of the plaintiff); *Friesen, supra* note 156, at 2123–24 (identifying the factors courts use to distinguish general skills and knowledge from the employer’s trade secrets, including “Employee Pre-employment Experience” and “Inevitable Disclosure”); *Feldman, supra* note 156, at 174–75 (1994)

that two departing employees could take the same information with them and that, in one employee's case, the information could be found not to be a trade secret (because the GSKEE applies) and in the other employee's case, the information would be found to be a trade secret (because the GSKEE does not apply). This result is entirely inconsistent with the statutory scheme of both the UTSA and the DTSA, which determines whether particular information is a trade secret based on factors wholly unrelated to the alleged misappropriator.<sup>164</sup>

In some cases though, courts do not embrace the notion that the GSKEE is specific to an individual and instead, place more emphasis on whether particular information is generally known in the industry.<sup>165</sup> Unfortunately, taking this approach leads to the completely predictable clash with the base elements of the trade secrets definition in the UTSA (i.e., the 'not generally known or readily ascertainable' requirement).<sup>166</sup> This can lead courts to determine that the GSKEE does not apply because a determination has already been made that the information at issue is not generally known in the industry (when determining whether the information meets the definition of a trade secret).<sup>167</sup> This conflation essentially makes the GSKEE completely irrelevant once the information is found to meet the definition of a trade secret.

A couple of corner examples will help flesh out some of the challenges with the GSKEE owing to its focus on the defendant-specific facts. As a first example, a departing employee could undertake all manner of culpable conduct in removing confidential information such as, for example, making photocopies of documents, sending emails to their private email account, or copying files to a flash

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(discussing the factors courts used in determining the general skills and knowledge issue, including the "relative contribution of the employer and the employee to the development of the information" and "whether the employee, upon termination of the employment, appropriates some 'physical embodiment' of the information; and . . . whether the information is 'so closely integrated with the employee's overall employment experience that protection would deny the employee the ability to obtain employment commensurate with the employee's general qualifications'" (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 cmt. d (AM. L. INST. 1995)).

164. UNIF. TRADE SECRETS ACT (UNIF. L. COMM'N 1985); Defend Trade Secrets Act of 2016, 18 U.S.C. §§ 1833, 1836, 1838–39.

165. *See, e.g.*, *Basic Am., Inc. v. Shatila*, 992 P.2d 175, 184–85, 187 (Idaho 1999) (looking exclusively to whether the information was generally known in the industry to determine whether it constituted the employee's "experience, skill and knowledge").

166. *Id.* at 184–85.

167. *Id.*

drive, yet that employee could still avoid liability if a court finds that the information at issue fits within the GSKEE.<sup>168</sup> As a second example, a departing employee could leave their employment without taking any information with them (outside of their own head) and yet still face trade secret liability because the information in their memory does not meet the GSKEE.<sup>169</sup> Thus, the GSKEE is not closely tied to the culpability of the departing employee's conduct and instead depends on a court's view of how the information situates the employee in the overall industry or the employee's personal attributes.

Unlike the Memory Rule, there is no confusion among courts as to whether the GSKEE applies at the Existence Stage or the Conduct Stage; courts uniformly apply it at the Existence Stage.<sup>170</sup> Accordingly, the GSKEE is a poor fit for the modern trade secret statutory regime and instead owes its continued existence exclusively due to common law development. However, to the extent that courts place emphasis on the fact that particular information was remembered rather than taken in tangible form when applying the GSKEE, this doctrine is another way for courts to determine that information taken solely in memory does not form the basis for trade secret liability. Unfortunately, because of the issues addressed in this section, the GSKEE does not provide a reliable and predictable solution for the issue of remembered information, however.

## V. THE INEVITABLE DISCLOSURE DOCTRINE

Unlike the GSKEE, the inevitable disclosure ("ID") doctrine applies almost exclusively to remembered information.<sup>171</sup> Claims

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168. See, e.g., *Stenstrom Petroleum Servs. Grp. v. Mesch*, 874 N.E.2d 959, 965, 974, 977 (Ill. App. Ct. 2007) (denying a preliminary injunction to the left-behind employer because the information in the computer files copied onto a "travel drive" by the departing employee constituted the employee's general skills and knowledge and/or publicly-available information).

169. See, e.g., *Basic Am., Inc.*, 992 P.2d at 187–88 (affirming trade secrets liability against a departed employee with respect to remembered information in part because it did not constitute "experience, skill and knowledge" of the employee); *Johnson Serv. Grp. v. France*, 763 F. Supp. 2d 819, 829 (N.D. Tex. 2011) (granting injunction against departed employee's use of remembered customer information because the information did not constitute general skills and knowledge).

170. See *Hrdy supra* note 9, at 2444–50.

171. See, e.g., Lawrence I. Weinstein, *Revisiting the Inevitability Doctrine: When Can a Former Employee Who Never Signed a Non-Compete Agreement nor Threatened to Use or Disclose Trade Secrets Be Prohibited from Working for a Competitor*, 21 AM. J. TRIAL

based on ID arise most often when there is no evidence of physical or electronic removal of information, and instead the claim is based primarily, or exclusively, upon the contents of the departing employee's memory.<sup>172</sup> Additionally, unlike the other two doctrines discussed in this Article, ID is used as a basis for imposing liability for trade secret misappropriation, rather than as a basis to avoid liability.<sup>173</sup>

Analysis of ID claims is situated in the Conduct Stage of a misappropriation case. In other words, a plaintiff must first establish whether a trade secret exists, and then ID can be addressed to determine whether a particular defendant will be liable for misappropriation.<sup>174</sup> Although the relevant statutes do provide that threatened misappropriation is actionable,<sup>175</sup> courts have not been entirely clear whether ID is a form of threatened misappropriation or a stand-alone doctrine.<sup>176</sup>

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ADVOC. 211, 219–26 (1997) (discussing the history and development of the inevitable disclosure doctrine).

172. See, e.g., *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1265 (7th Cir. 1995) (detailing the “intimate knowledge” the departing employee had of the plaintiff’s trade secret information); *Procter & Gamble Co. v. Stoneham*, 747 N.E.2d 268, 279 (Ohio Ct. App. 2000) (finding threatened misappropriation or inevitable disclosure established due to departing employee’s “intimate knowledge of [the plaintiff’s] confidential information”); *Marcam Corp. v. Orchard*, 885 F. Supp. 294, 297 (D. Mass. 1995) (“It is difficult to conceive how all of the information stored in Orchard’s memory can be set aside as he applies himself to a competitor’s business and its products. On the contrary, what Orchard knows about Marcam is bound to influence what he does for Datalogix, and to the extent it does, Marcam will be disadvantaged.”). *But see Vendavo, Inc. v. Long*, 397 F. Supp. 3d 1115, 1142 (N.D. Ill. 2019) (issuing injunction based on inevitable disclosure in situation where departing employee retained tangible documents and remembered information).

173. See generally Weinstein, *supra* note 171 (discussing inevitable disclosure doctrine).

174. See *supra* Part II.

175. UNIF. TRADE SECRETS ACT § 2(a) (UNIF. L. COMM’N 1985) (“Actual or threatened misappropriation may be enjoined.”); 18 U.S.C. § 1836(b)(3)(A)(i) (“In a civil action brought under this subsection with respect to the misappropriation of a trade secret, a court may . . . grant an injunction . . . to prevent any actual or threatened misappropriation.”).

176. See, e.g., *Smithfield Packaged Meats Sales Corp. v. Dietz & Watson, Inc.*, 452 F. Supp. 3d 843, 862 (S.D. Iowa 2020) (“Smithfield need not rely on the inevitable disclosure doctrine because it has presented compelling evidence of threatened misappropriation.”); see also Johanna L. Edelstein, Note, *Intellectual Slavery: The Doctrine of Inevitable Disclosure of Trade Secrets*, 26 GOLDEN GATE U. L. REV. 717, 718 (1996) (stating that courts traditionally distinguished inevitable disclosure from threatened misappropriation, but that the PepsiCo court considered inevitable disclosure as threatened misappropriation); Jennifer L. Saulino, Note, *Locating Inevitable Disclosure’s Place in Trade Secret Analysis*, 100 MICH. L. REV. 1184, 1192, 1192 nn.37–38 (2002) (reviewing several court decisions conflating inevitable disclosure with threatened misappropriation); Elizabeth A. Rowe, *When Trade Secrets Become Shackles: Fairness and the Inevitable Disclosure Doctrine*, 7 TUL. J. TECH. & INTELL. PROP. 167, 181–82 (2005) (discussing courts’ “[c]onfusion [b]etween [t]hreatened [m]isappropriation and [i]nevitable [d]isclosure”).

The notions underpinning ID may be as old as the nineteenth century,<sup>177</sup> but early courts were often reluctant to grant injunctions upon speculative future disclosures.<sup>178</sup> More recently, ID gained significant prominence from the *PepsiCo* decision.<sup>179</sup> In *PepsiCo*, a high-level employee at PepsiCo had familiarity with the company's marketing and product strategies and plans through his employment and close work in developing this business information.<sup>180</sup> The employee left and went to work for a direct competitor in the relevant market (sports drinks).<sup>181</sup> Although the employee did not take any tangible information with him, PepsiCo asserted that the employee should be enjoined from working at the competitor due to the risk of his use of the business information retained in his memory.<sup>182</sup> The district court agreed with PepsiCo and issued an injunction delaying the employee's assumption of the new role at the competing company.<sup>183</sup> The Seventh Circuit affirmed the district court's injunction.<sup>184</sup> Thus, even in the absence of any taking of any tangible embodiments of the information, the departing employee was still subject to an injunction solely because of the remembered information in his memory.

The ID doctrine allows for the issuance of an injunction against a departing employee when disclosure of the former employer's trade secrets (usually carried in the employee's memory) will inevitably be disclosed as part of their new employment.<sup>185</sup> In other

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177. *O. & W. Thum Co. v. Tloczynski*, 72 N.W. 140 (Mich. 1897) (affirming an injunction to prevent a former employee from disclosing secret processes learned at one employer (and retained only in memory) to a later employer). *But see* Weinstein, *supra* note 171, at 212 & n.1 (stating that the "first reported inevitable disclosure decision" is *B.F. Goodrich Co. v. Wohlgemuth*, 192 N.E.2d 99 (Ohio Ct. App. 1963)).

178. *See, e.g., H.B. Wiggins Sons' Co. v. Cott-A-Lap Co.*, 169 F. 150, 152 (C.C.D. Conn. 1909) ("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."); *S.S. White Dental Mfg. Co. v. Mitchell*, 188 F. 1017, 1020 (C.C.E.D.N.Y. 1911) ("[I]t does not seem that the court should issue an order merely requiring a man in terms to avoid doing anything which he ought not to do, because, if he did begin the illegal or wrongful act, he would then and there be subject to injunction."). For a discussion of early cases addressing inevitable disclosure issues, see Note, *Injunctions to Protect Trade Secrets—The Goodrich and Du Pont Cases*, 51 VA. L. REV. 917, 933–34 (1965).

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

180. *Id.* at 1265.

181. *Id.* at 1264.

182. *Id.* at 1266.

183. *Id.* at 1267.

184. *Id.* at 1272.

185. *See, e.g., Corp. Techs., Inc. v. Harnett*, 731 F.3d 6, 14 (1st Cir. 2013) ("Th[e] [inevitable disclosure] doctrine . . . allows an employer to prove trade secret misappropriation by



words, it is not necessary for the left-behind employer to prove either actual disclosure or threatening conduct by the departing employee to obtain an injunction.<sup>186</sup> Factors that courts might consider in determining whether an injunction is appropriate include:

(1) [T]he extent of the worker's exposure to the former employer's trade secrets; (2) the nature and useful life of those trade secrets; (3) the degree of similarity between the worker's new job responsibilities and the old ones; (4) the extent, if any, to which the former employer's trade secrets have given the former employer a competitive advantage over the new employer; and (5) the availability through legitimate means . . . of technology or other matter that enables the new employer to compete effectively despite a lack of knowledge of or access to the old employer's trade secrets.<sup>187</sup>

However, these factors are not universally applied.<sup>188</sup>

ID has been controversial from the start,<sup>189</sup> but some courts continue to apply the doctrine to this day.<sup>190</sup> Because of the obvious conflict with employee mobility, many courts have purported to accept the doctrine, while finding ways to limit its applicability.<sup>191</sup>

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demonstrating that its former employee's new employment will inevitably lead him to rely on his knowledge of the plaintiff's trade secrets.”)

186. See, e.g., *EarthWeb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 308 (S.D.N.Y. 1999) (“[T]his case does not involve the actual misappropriation or theft of trade secrets. When EarthWeb first appeared before this Court on September 28, 1999, it conceded that it had no evidence that Schlack had copied or otherwise absconded with documents allegedly containing trade secrets of EarthWeb.”).

187. Weinstein, *supra* note 171, at 216.

188. See Rowe, *supra* note 176, at 171.

189. See, e.g., 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, 274 (1998) (discussing the challenges with inconsistent application among the courts of the inevitable disclosure doctrine); 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, 377 (2012) (identifying the negative impacts on employee mobility from application of the inevitable disclosure doctrine); see also *EarthWeb, Inc.*, 71 F. Supp. 2d at 310 (“[T]he inevitable disclosure doctrine treads an exceedingly narrow path through judicially disfavored territory. Absent evidence of actual misappropriation by an employee, the doctrine should be applied in only the rarest of cases.”).

190. See, e.g., *Packaging Corp. of Am. v. Croner*, 419 F. Supp. 3d 1059, 1069 (N.D. Ill. 2020) (analyzing inevitable disclosure, but ultimately finding that plaintiff did not meet its burden to establish inevitable disclosure); *Acteon, Inc. v. Harms*, No. 1:20-cv-14851-NLH-AMD, 2020 U.S. Dist. LEXIS 210932, at \*26 (D.N.J. Nov. 6, 2020) (finding likelihood of success on inevitable disclosure claim based on New Jersey law and DTSA); *Vendavo, Inc. v. Long*, 397 F. Supp. 3d 1115, 1146 (N.D. Ill. 2019) (issuing injunction based on inevitable disclosure).

191. See William Lynch Schaller, *Trade Secret Inevitable Disclosure: Substantive, Procedural & Practical Implications of an Evolving Doctrine (Part I)*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 336, 341–42 (2004) (reviewing numerous cases taking different approaches to deal with inevitable disclosure issues).

Nevertheless, many jurisdictions continue to apply ID, while some jurisdictions have rejected it.<sup>192</sup>

After enactment of the DTSA, the plain language of the statute appeared to preclude inevitable disclosure claims under the DTSA.<sup>193</sup> However, courts have applied the doctrine in DTSA claims nonetheless.<sup>194</sup> Accordingly, whether ID is available in a DTSA action is an open question.

A full analysis of ID is beyond the scope of this Article and many other scholars have already undertaken such analyses.<sup>195</sup>

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192. Randall E. Kahnke, Kerry L. Bundy & Kenneth A. Liebman, FAEGRE & BENSON LLP, *Doctrine of Inevitable Disclosure*, INTELL. PROP. OWNERS ASS'N 14 (Sept. 2008), <https://ipo.org/wp-content/uploads/2013/04/DoctrineofInevitableDisclosure.pdf> [<https://perma.cc/FC2R-LULA>].

193. 18 U.S.C. 1836(b)(3)(A)(i)(D) (“In a civil action brought under this subsection with respect to the misappropriation of a trade secret, a court may . . . grant an injunction . . . to prevent any actual or threatened misappropriation described in paragraph (1) on such terms as the court deems reasonable, provided the order does not . . . prevent a person from entering into an employment relationship, and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows.”); *see also* Kinship Partners, Inc. v. Embark Veterinary, Inc., No. 3:21-cv-01631-HZ, U.S. Dist. LEXIS 2804 at \*19 (D. Or. Jan. 3, 2022) (“Based on the plain language of the statute, the DTSA provides no avenue for the Court to grant [an injunction based on inevitable disclosure].”); Sharon K. Sandeen & Elizabeth A. Rowe, *Debating Employee Non-Competes and Trade Secrets*, 33 SANTA CLARA COMPUT. & HIGH TECH. L. J. 438, 451 (2017) (“[T]he DTSA strikes a blow to states that recognize the inevitable disclosure doctrine by making that doctrine inapplicable in DTSA actions.”); M. Claire Flowers, Note, *Facing the Inevitable: The Inevitable Disclosure Doctrine and the Defend Trade Secrets Act of 2016*, 75 WASH. & LEE L. REV. 2207, 2234–35 (2018) (discussing DTSA provision that could be construed to limit availability of inevitable disclosure claims under the DTSA); Jacqueline R. Mancini, Note, *Nothing Is Inevitable: A Rejection of the Inevitable Disclosure Doctrine under the Defend Trade Secrets Act*, 94 ST. JOHN’S L. REV. 205, 207–08 (2020) (discussing the availability of the inevitable disclosure doctrine under the DTSA).

194. *See Croner*, 419 F. Supp. 3d at 1069–70, 1078 (analyzing inevitable disclosure in a DTSA claim but ultimately finding that plaintiff did not meet its burden to establish inevitable disclosure); *see also Harms*, 2020 U.S. Dist. LEXIS 210932 at \*9, \*22 (finding likelihood of success on inevitable disclosure claim based on New Jersey law and DTSA, but not separately analyzing the DTSA); *Gen. Elec. Co. v. Uptake Techs., Inc.*, 394 F. Supp. 3d 815, 834 (N.D. Ill. 2019) (“Consistent with other courts in this district, this Court finds that a DTSA claim based on inevitable disclosure may survive a motion to dismiss.”); *Fres-co Sys. USA v. Hawkins*, 690 F. App’x 72, 76 (3d Cir. 2017) (finding inevitable disclosure likely under Indiana trade secret law and DTSA, but not analyzing separately); *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16 C 03545, 2017 U.S. Dist. LEXIS 71700, at \*7–8 (N.D. Ill. May 11, 2017) (finding inevitable disclosure likely under Illinois trade secret law and DTSA, but not analyzing separately).

195. *See generally* Lowry, *supra* note 38; Edelman, *supra* note 176; John H. Matheson, *Employee Beware: The Irreparable Damage of the Inevitable Disclosure Doctrine*, 10 LOY. CONSUMER L. REV. 145 (1997); Koh, *supra* note 189; Peter Huang, Comment, *Preventing Post-PepsiCo Disaster: A Proposal for Refining the Inevitable Disclosure Doctrine*, 15 SANTA CLARA COMPUT. & HIGH TECH. L.J. 379 (1999); Benjamin A. Emmert, Comment, *Keeping Confidence with Former Employees: California Courts Apply the Inevitable Disclosure Doctrine to California Trade Secret Law*, 40 SANTA CLARA L. REV. 1171 (2000); Brandy

However, in many jurisdictions the doctrine provides an additional basis to find misappropriation liability for information that is taken solely in a departing employee's memory, and, is thus, another way that remembered information can be relevant in a trade secrets misappropriation claim.

## VI. AN ANALYTICAL APPROACH THAT INCORPORATES ALL OF THE DOCTRINES APPLICABLE TO REMEMBERED INFORMATION

To see how remembered information is relevant in a trade secrets action, it helps to walk through a sample case.<sup>196</sup> For the simple case, we will assume that a plaintiff trade secret owner (in our case, an employer) is suing a defendant departing employee for trade secrets misappropriation based on some information (“Tangible Information”) taken in tangible form (*e.g.*, some physical documents or on a flash drive) and some information taken solely in memory (“Remembered Information”). The following sections address the Existence Stage and the Conduct Stage of the case, respectively.

### A. *The Existence Stage of the Case*

At the Existence Stage, the plaintiff will need to establish that the information at issue constitutes a trade secret, for both the Tangible Information and the Remembered Information. More specifically, the plaintiff will need to show that each of the Tangible Information and Remembered Information is among the listed types of information in the definition of “trade secret”, that the plaintiff has taken reasonable measures to keep the information secret, that the information derives independent economic value due to its secrecy, and that the information is not generally known

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L. Treadway, Comment, *An Overview of Individual States' Application of Inevitable Disclosure: Concrete Doctrine or Equitable Tool?*, 55 SMU L. REV. 621 (2002); Saulino, *supra* note 176; Eleanore R. Godfrey, Comment, *Inevitable Disclosure of Trade Secrets: Employee Mobility v. Employer's Rights*, 3 J. HIGH TECH. L. 161 (2004); Schaller, *supra* note 191; Rowe, *supra* note 176; Reder & O'Brien, *supra* note 189.

196. This fictional walkthrough is not intended to reflect actual practice in trade secret claims and instead is a conceptual walkthrough that allows for application of all the relevant doctrines. The actual approach taken by any particular court will depend on that court's or jurisdiction's practice, the particular claims and defenses raised by the parties, and/or the facts alleged in the complaint and answer, or developed through discovery. Moreover, the determinations at both the Existence Stage and the Conduct Stage will likely be made by the fact-finder at the end of trial, rather than as gating items, as suggested in this conceptual walkthrough.

or readily ascertainable.<sup>197</sup> Assuming the plaintiff is able to establish a prima facie case that the information at issue is in fact a trade secret, the defendant can raise their available counter-arguments.

In addition to attacking the four elements of the prima facie case, with respect to both the Tangible Information and the Remembered Information, the defendant's counterarguments may include an assertion that the information falls within the GSKEE. If successful, this counterargument would have the effect of making both types of information not a trade secret, and that would resolve the case. Importantly, as discussed above, it may be more likely that the court would find the Remembered Information to fit within the GSKEE, but that is not exclusively the case.<sup>198</sup> Moreover, the GSKEE is more likely to apply to information of a technical nature, than routine business information.<sup>199</sup> With respect to the Tangible Information, the approaches outlined in this paragraph exhaust the defendant's options.

However, with respect to the Remembered Information, the defendant has an additional avenue of defense. In particular, the defendant could assert that the Memory Rule Exclusion applies to the Remembered Information. If the defendant is successful in establishing that the Memory Rule Exclusion applies, the Remembered Information cannot be a trade secret and thus, this also resolves the claim with respect to the Remembered Information. However, as discussed above, the Memory Rule Exclusion is of questionable continuing validity<sup>200</sup> and it applies primarily, maybe even exclusively, to customer information.<sup>201</sup>

Assuming the plaintiff can establish that the information at issue is a trade secret, and neither the GSKEE nor the Memory Rule Exclusion applies, the case proceeds to the Conduct Stage.

### B. *The Conduct Stage of the Case*

Assuming the plaintiff can establish that the Tangible Information and/or the Remembered Information constitute trade

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197. *See supra* Part II.

198. *See supra* Part IV.

199. *See id.*

200. *See supra* Part III.

201. *See id.*

secrets, the next hurdle for the plaintiff is to establish that the defendant misappropriated the trade secrets. With respect to the Tangible Information, the plaintiff can proceed straight-forwardly under the statutory definition of misappropriation, particularly if the employee signed some form of employee confidentiality agreement.<sup>202</sup> This is the case because courts routinely find that employee confidentiality agreements establish the duty of which employees are in breach to establish misappropriation.

However, with respect to the Remembered Information, two additional doctrines come into play. Working to the benefit of the plaintiff, the fact that the information is taken in memory may allow the plaintiff to argue that the Inevitable Disclosure Doctrine applies. As discussed above, inevitable disclosure may only be available in certain jurisdictions, and it may not be available in DTSA claims. However, assuming it is available, inevitable disclosure provides an additional means by which the plaintiff can assert misappropriation liability specifically for the Remembered Information. The effect of this would be to absolve the plaintiff of the necessity of proving either actual conduct amounting to misappropriation, and in some jurisdictions, even conduct sufficient to establish threatened misappropriation.

On the other hand, the defendant may have an additional defense available with respect to the Remembered Information at the Conduct Stage. Specifically, in those jurisdictions applying the Memory Rule Defense aspect of the Memory Rule, the defendant can argue that its status as Remembered Information absolves the defendant of misappropriation liability. If successful, the defendant would not be liable for misappropriation with respect to the

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202. An obligation to sign an employee confidentiality agreement at the commencement of employment is increasingly common in the modern workplace. See, e.g., Lisa Nagele-Piazza, *When Should Employers Use Nondisclosure Agreements?* SOC'Y FOR HUM. RES. MGMT. (Apr. 5, 2018), <https://www.shrm.org/resourcesandtools/legal-and-compliance/state-and-local-updates/pages/when-should-employers-use-nondisclosure-agreements.aspx> [<https://perma.cc/6BW2-QA7N>] (discussing when employees should be required to sign confidentiality agreements); see also Alison Doyle, *Employee Confidentiality and Non-Disclosure Agreements*, THE BALANCE, <https://www.thebalancecareers.com/what-to-look-for-in-an-employee-confidentiality-agreement-2061955> [<https://perma.cc/2DLT-55BY>] (Oct. 25, 2020) (noting that employee confidentiality agreements are increasingly required by employers for lower-level jobs). In fact, requiring all employees that might come in contact with confidential information to sign an employee confidentiality agreement may be necessary to avoid breaching contracts the employer has with other companies because, in this author's experience, most business-to-business non-disclosure agreements include a requirement that the confidential information will not be disclosed to any employees that have not undertaken a confidentiality obligation at least as protective as the terms of the NDA.

Remembered Information, even if the plaintiff establishes that the Remembered Information is a trade secret. Accordingly, the defendant could be liable for misappropriation of the Tangible Information but be absolved of liability for the Remembered Information, even if both types of information were found to constitute trade secrets at the Existence Stage.

### *C. Remembered Information is Relevant Throughout the Case*

As discussed in this section, its status as remembered information, as opposed to information taken in tangible form, can have significant impact on the outcome of a trade secrets misappropriation claim alleging that particular information was misappropriated. Accordingly, citations to the *Nowogroski* decision to the effect that the form in which particular information is taken is irrelevant are simply not consistent with the actual state of the law at this time. Rather, the form in which information is taken can be quite relevant when information is taken in remembered form.

## CONCLUSION

For over a century, courts have wrestled with what to do about information taken in departing employees' memories. Over that time, courts have developed multiple common law doctrines to address the issue, some providing an escape hatch from liability and at least one other providing for liability where it otherwise may not have been imposed. Thus, contrary to what the *Restatement of Agency*, and some cases, would have us believe, the form in which particular information is taken is quite relevant in a trade secrets misappropriation claim.

Returning to the hypothetical posed in the Introduction, Pat's liability for trade secret misappropriation is relatively straight-forward because Pat retained tangible documents embodying trade secret information upon departure from InsureCo. Alex's liability is much less certain, however. In particular, InsureCo might assert that the inevitable disclosure doctrine applies, and that Alex should be enjoined under this theory. But Alex may assert that either the General Skills, Knowledge, and Experience Exclusion or the Memory Rule Exclusion aspect of the Memory Rule applies and thus, the information at issue does not constitute a trade secret, with respect to the claim against Alex. Courts might reasonably

conclude that this result is improper because the same information constitutes a trade secret when taken by Pat in tangible form but loses its status as a trade secret when taken in memory by Alex.<sup>203</sup> This perceived impropriety may cause courts to try and find a way to avoid applying these potentially exculpatory doctrines.

However, there is one more ace up Alex's sleeve. In particular, Alex could assert that the Memory Rule Defense applies. If successful, this would absolve Alex of any liability for misappropriation because the trade secret information was taken solely in his memory. This approach does not have the same conceptual issues as the GSKEE or Memory Rule Exclusion discussed above because the information is still trade secret, the only difference being that Pat's conduct in taking the tangible information is considered misappropriation while Alex's conduct (taking the information solely in memory) is not. Accordingly, there is no reason for courts to attempt to avoid a result that is inconsistent with the plain wording of the statutes.

In sum, whether information is taken in tangible form or only in memory can be an important factor in a court's determination of whether trade secret misappropriation liability should attach. Some courts may find that liability should attach with respect to the remembered information through the inevitable disclosure doctrine, even in the absence of actual or threatened misappropriation. Other courts may find the fact that the departing employee did not take with them any tangible embodiments of the information an important factor in deciding whether the information is a trade secret or whether a misappropriation occurred, through either the General Skills, Knowledge, and Experience Exclusion or the Memory Rule. Thus, contrary to the broad language in the *Nowogroski* decision and subsequent citations to the case, information's status as remembered information is far from irrelevant and may in fact be outcome determinative.

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203. In fact, the *Nowogroski* court made exactly this point in deciding not to apply the Memory Rule Exclusion. See *Ed Nowogroski Ins. v. Rucker*, 137 P.2d 936, 947 (Wash. 1999) ("The unfairness of the trial court's rule excluding damages for memorized trade secrets is highlighted in the present case where both Rieck and Kiser engaged in essentially the same conduct and paid dramatically different damages based on the fact that Mr. Rieck claimed to have remembered his top 50 customers.").