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INJUNCTIVE RELIEF AGAINST EMPLOYEES USING CONFIDENTIAL INFORMATION

By JOSEPH A. McCLAIN, JR.*

In *Morrison v. Moat* Lord Justice Turner, referring to the injunctive relief available against an employee who is seeking to use information acquired in the course of his service to the detriment of his employer, said:

“That the court has exercised jurisdiction in cases of this nature does not, I think, admit of any question. Different grounds have indeed been assigned for the exercise of that jurisdiction. In some cases it has been referred to property, in others to contract, and in others, again, it has been treated as founded upon trust or confidence . . . but, upon whatever grounds the jurisdiction is founded, the authorities leave no doubt as to the exercise of it.”

Over eighty years have passed since this statement was made, but very little has been done in judicial decision to clarify the underlying reasons for equity’s protection in these cases. Courts continue to award relief against an employee who seeks to exploit information at his employer’s expense, although they frequently differ as to just what information should be protected and the basis on which relief should be placed. The significance and complexities of these latter questions have increased almost daily with the many developments and changes wrought by modern industrial and business methods. Various phrases, all of which connote more or less vague concepts, are used to rationalize decisions in this field. We find some courts demanding that the information conform to their concept of “property”; others use as a basis for relief such terms as “implied contract”, “betrayal of trust”, “abuse of confidence”, “unfair competition”, and other equally loose expressions. Almost uniformly the courts speak of the “confidential” or “fiduciary relation” existing between employer and employee. Two questions of interest are raised by these decisions:

1. What is the underlying doctrine of the protection afforded in these cases?

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2. How far should equity extend its protection?2

Courts of equity seek to explain many of the duties imposed on parties by merely stating that a "confidential or fiduciary relation" exists between them, but these words by themselves often mean very little.3 Equity has many well recognized doctrines in connection with the technical trust for the benefit of the cestui que trust. Most of these doctrines have existed for so long that neither they nor the policies upon which they are based are questioned. It is elementary that a trustee shall not be permitted to allow his interests to compete with those of the cestui, or use in any manner his position of advantage to benefit himself at the expense of the beneficiary. Thus, all transactions between the trustee and his cestui, whereby the trustee gains a benefit, are presumptively invalid and the burden is on the trustee to show that he acted in all fairness.4

2Express contracts against the use of information will not be considered in this discussion, but only those instances in which equity raises a duty not to use or disclose information because of the relationship. See Hannegan, Implied Obligation of an Employee, 77 U. Pa. L. Rev. 970 (1929), for a general discussion of the problem with reference to relief granted on an express contract and in the absence of one.

4Many times these terms seem to be means merely for rationalizing the conclusions of the court. There seems to be no definite effort to observe a distinction in their usage and some courts state they are convertible. Dick v. Albers, 243 Ill. 231, 90 N. E. 683 (1910); Robbins v. Hope, 57 Cal. 493, 497 (1881); Ewing v. Ewing, 33 Okla. 414, 126 Pac. 811 (1912). It has been said that equity refuses to define the terms completely in order that liberty of action might be retained in dealing with cases involving the "relations." 2 Pomeroy, Eq. Juris. (4th ed.), Sec. 956. A distinction in the use of the terms has been suggested. See Bogert, Confidential Relations and Unenforceable Trusts (1928), 13 Cornell L. Q. 237, 248. And Bijur, J., in Stewart & Co. v. Marcus, 207 N. Y. S. 655, 659 (1924), said:

"It is, of course, clear that a trust or fiduciary relation in its strictest sense, namely, a relation in which one person is constituted a trustee and the other a cestui que trust is created only by mutual consent, express or implied. Cases therefore, which deal with the obligation of a trustee, agent, factor, guardian, attorney, partner, and the like are not relevant to the present controversy. The importance of recognizing the distinction at the outset is this: That if Marcus had been the plaintiff's actual agent for the purchase of the property, neither the fact that he had been a prior bidder nor that the information given him by the plaintiff was inaccurate would effect his obligation to hold this property for the benefit of the plaintiff."

Further, if a trustee purchases any of the trust property at public or private sale, without the consent of the cestui after a full disclosure of all the facts to him, the sale may be set aside at the option of the latter. Nor can a trustee use information acquired by reason of his position to obtain an advantage for himself.

It is but natural that these doctrines underlying the technical trust should be extended to analogous relationships in the law—usually called quasi-trusts. Thus we find that practically the same principles apply to principal and agent, attorney


7 See Pomeroy, Equity Jurisprudence (4th ed.), Sec. 958.

8 Keech v. Sandford, Select Cases in Ch. 61, 2 White & T., Leading Cases in Equity (7th ed.) 675. See Hart, Development of Rule in Keech v. Sandford (1905), 21 Law Q. Rev. 253. See Trice v. Comstock, infra note 7, where Sanborn, J., gives the reasons for the rule. Also refer to the other cases cited there.

9 Trice v. Comstock, 221 Fed. 620, 625 (1903). (an interesting case in which an agent to secure purchasers for certain land was precluded from buying the land although the relation of principal and agent had ceased). The court said through Sanborn, J.:

“For reasons of public policy, founded in a profound knowledge of the human intellect and of the motives that inspire the actions of men, the law preemtorily prohibits every one who in a fiduciary relation, has acquired information concerning or interest in the business or property of his correlate from using that knowledge or interest to prevent the latter from accomplishing the purpose of that relation. . . . So that the one betrayed may enforce the trust and it cannot be rescinded at will by the termination of the relation. It is as sacred and inviolable after as before the expiration of its term.”


And in several jurisdictions, if the agent is instructed to buy certain land for the principal, but instead purchases the land with his own money he will hold the land as constructive trustee for his principal. Morris v. Reigel, 19 S. D. 26, 101 N. W. 1086 (1904); Rose v. Hayden, 35 Kan. 106, 10 Pac. 554 (1886) (collects authorities on both
and client, guardian and ward and many other relationships. In these situations there is ordinarily a res that corresponds to the trust res and over which the agent, attorney, or guardian has legal control. In the relationship of attorney and client we may find the res in the form of the subject matter of litigation or investigation, and in the agency case it may be the subject matter which the agent is engaged to sell, or in reference to which the agency was created. The fact that a res of some type is present in these cases has led one authority to conclude that it is necessary in all cases for a res to be present, over which the trusted party had control, before the protective principles of trust will be applied.

The courts of equity have not concerned themselves with an attempt to explain their action in these instances, more than to say that the relationship of the parties is such that in the very nature of things these salutary rules should apply. There is no requirement in these cases that the cestui show he had confidence in the trustee, or that he relied on his skill and integrity. So far as the legal results are concerned he may have distrusted the trustee. The relationship of the parties is such that the law declares, irrespective of the mental attitude of the parties, that there is a relation of confidence between them.

But there is a group of miscellaneous cases to which equity extends similar protective principles if it is decided in fact that

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8 Transactions between principal and agent: Swaim v. Martin, 158 Ark. 469, 251 S. W. 26 (1923); Magee v. Brenneman, 188 Cal. 562, 206 Pac. 37 (1922); McLean v. Maloy, 136 Md. 467, 111 Atl. 91 (1920); Mercer v. McHie, 141 Minn. 144, 169 N. W. 531 (1918); Brotherhood of Trainmen v. Van Buren, 90 N. J. Eq. 612, 110 Atl. 121 (1919).

9 Transactions between guardian and ward: Aleson v. Crumney, 64 Okla. 20, 166 Pac. 691 (1917); Bopst v. Williams, 287 Mo. 317, 229 S. W. 796 (1921).

10 Bogert, op. cit. supra, n. 3, at page 244.
one party has so confided in another as to give the latter a position of advantage similar to that of the trustee or other fiduciary. There are no technical names such as principal and agent, attorney and client, etc., to identify these later situations. In each instance it is a question of fact for the court to decide whether or not the position of advantage existed, and ordinarily the complainant must show more than domestic or friendly relationships (parent and child, brother and sister, priest and penitent, etc.) before the defendant has the burden of showing the transaction to be fair. If such position of advantage is found to exist the parties are said to share a "confidential relation" and the protective principles of equity borrowed from the law of trusts are applied to transactions between the parties.

It is evident then that equity has extended the fundamental doctrines of trust, designed for the protection of the cestui, to other relationships such as principal and agent, attorney and client, guardian and ward, etc., and that similar protective

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1 In Cowee v. Cornell, 75 N. Y. 91, 31 Am. Rep. 428 (1878), it was held that the relation of grandfather and grandson did not by itself create such "confidence" as would place the burden on the grandson of showing that the transaction in question was fair. The court did say that such presumption would exist in relations such as trustee and cestui que trust, attorney and client, guardian and ward, and possibly physician and patient. Bishop v. Hillard, 227 Ill. 382, 386, 81 N. E. 403, 405 (1907) (mother and daughter). There the court said:

"Nothing more than the ordinary and usual family relations seem to have existed between the parties during the time the mother resided with the daughter. A fiduciary relation which brings the parties within the rule contended for by the counsel for the appellant is one growing out of the relation of administrator and heir, guardian and ward, attorney and client, principal and agent, in other words, where the business of one is entrusted to another in such a way as to render the principal liable to be imposed upon by the agent."

See for similar decisions: Dick v. Albers, supra, note 3 (father and son); Robbins v. Hope, supra, note 3 (cousins); Bacon v. Soule, supra, note 3 (brothers and sisters). And in Studybaker v. Cofield, 159 Mo. 569, 613, 61 S. W. 246, 250 (1901), it was held that the relation of nurse and patient, shared in the last days of the deceased's life did not create a "confidential relation." The court said:

"The law regards the real rather than the nominal condition. . . . While the relation of nurse and patient may raise the question, yet it does not in itself answer that question, but the inquiry is one of fact,—was trust reposed?"

But see Allen-Qualley Co. v. Shellmar Products Co., 31 Fed. (2nd) 292 (1929), where a defendant was enjoined from using a wrapping process revealed to him during negotiations concerning defendant manufacturing it for complainant.
principles have been applied to a group of miscellaneous relationships which defy categorical labels. It is also true that the courts, when considering relief for the wrongful use of information in the employment cases, almost universally speak of the "confidential relation" existing between employer and employee. If the same protective principles of equity which we have just considered are to be applied to the relationship of employer and employee, what is to mark the limits of their application? It is quite apparent that we are dealing with a relationship which demands a somewhat different treatment, for, unlike the trustee, guardian, etc., the employee is continually selling his services in more or less the same capacity to another employer and some latitude must be allowed him in capitalizing on his past experience if he is to be able to market his wares to advantage. These protective principles of equity, then, can not be urged against him to the point that his "world of endeavor" and "means of a livelihood are cut off." What criterion is to control in deciding whether he is to be prohibited from using or divulging certain information that he acquired in the course of his former service? Must such information conform to a concept of "property"? Must it be a "secret" in the sense that no outsider could have possibly learned it by reasonable investigation? Or, more generally stated, when is information of such a confidential character that it cannot be used or divulged against the interest of the former employer?

It seems quite obvious that the boundaries of such protection cannot be stated with precise exactitude. If an illusion of certainty is desired to be preserved the requirement of a "property right" can be used, but past efforts in other situations to apply the test of a "property right" as the basis of equity's intervention have proved unsatisfactory and have resulted in many inconsistencies. If a court cannot define and

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24 The "property test" did not seem sufficient in the cases involving rights to privacy and in other cases relating to injuries to personality. Pound, Interests of Personality, 28 Harvard Law Rev. 343, 445 (1915). See also, Chafee, Cases on Equitable Relief Against Defamation and Injuries to Personality, pp. 45 et seq. (1930).
present a clear concept of a "property right" it seems futile to insist upon the existence of such a right as a prerequisite to the employer having relief. In view of many decisions it also seems that the courts cannot limit relief to the instances in which the information is "secret." Certainly this is true if by "secret" it is meant that no outsider could by reasonable investigation discover the information legitimately.\textsuperscript{14}

The view adopted in this discussion is, that the protection of equity in these cases does not turn upon the interference with property \textit{per se}, but that the real grounds behind the decisions find their origin in the fundamental doctrine of equity, most frequently applied in trusts, which requires that a person shall not use a position of advantage naturally arising from the relationship of the parties to profit at the expense of the other.\textsuperscript{15} The underlying thought seems to be that the employee has made an unfair use of his position of familiarity with his employer's business. If this is the basis of the court's relief it is immaterial that other persons could have gained the same information. The fact remains, and it is the important consideration, that this particular party, the employee, obtained the information by reason of his position and on this ground the court gives its protection to the employer. It is likewise immaterial, if this theory be correct, whether the particular information conform to the conventional idea of the subject matter of "property." This does not mean that protection

\textsuperscript{14} At least there are both English and American decisions ignoring such requirement. \textit{Merryweather v. Moore} (1892), 2 Ch. 518; \textit{Lamb v. Evans} (1893), 1 Ch. 218; \textit{Horn Pond Ice Co. v. Pearson, et al.}, 267 Mass. 256, 166 N. E. 640 (1929).

\textsuperscript{15} The objection may be offered that the essential elements of a trust are not present, and that if the view is adopted that the information need not be the subject matter of property there will be no \textit{res} to sustain the analogy. An answer is that no claim is made that a trust in the strict sense exists, but merely that the same protective principles are applied in reference to information obtained by the employee during the relationship of employer and employee as are applied to the case of a trustee, and that this is done because of the opportunities for profit that are presented to the employee similar to those existing in the technical trust. If relief is granted to the employer it may be given in two forms: (1) an injunction, (2) a constructive trust. The former is preventive, the latter is to compel restoration to the employer of any tangible \textit{res} obtained by a violation of the obligation held to exist. In the latter case, it does seem that there must be some \textit{res} sufficient to satisfy the conventional idea of the subject matter of property, but it by no means follows that the same must be true in the first case, i. e., where an injunction is given.
should be given in every case in which an employee seeks to use knowledge gained by reason of his service, but rather that relief should be awarded or withheld in light of the social and economic considerations involved: Does the use of the knowledge by the employee involve a necessary and legitimate risk which the employer by reason of the nature of his business should stand, and will the employee be unduly handicapped in future efforts to obtain a livelihood if he is forced to forego the use of such knowledge? This doctrine of "balancing interests or equities" is well known to equity in other situations. It is conceded that when the problem is approached on these considerations precise mathematical certainty is unattainable in setting the limits of the protection afforded, but this approach does seem more practical and to be more in keeping with the reality of what the courts are doing beneath such surface terms as "property", "secrets", "implied contract" and so on. Both the English and American courts present many interesting cases for examination with respect to the above problem.

While Lord Eldon once doubted the advisability of protecting "unpatented secrets" the English courts have uniformly enjoined the disclosure or use of "confidential information" obtained in the course of employment. And this has been done regardless of whether the information was imparted to the employee by his employer or whether the former secured it surreptitiously. The same result has been reached even though the information could have been obtained by an out-

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18 Yovatt v. Wingard, 1 Jac. & W. 393, 37 Eng. Rep. 425 (1820) (medical formula); Williams v. Williams, supra, note 17 (medical formula); Newberry v. James, supra, note 17 (medical formula) (Lord Eldon felt in this case that the court could not enjoin because it could not make the secret be disclosed to it, and therefore it could not tell if its injunction would be effective); Morrison v. Moat, 9 Hare 241, 68 En. Rep. 492 (1851) (medical formula); Merryweather v. Moore (1892), 2 Ch. 518 (dimensions of engines).

Thus, in *Merryweather v. Moore* a former employee was enjoined from disclosing or using drawings of machines manufactured by his former employer although any mechanic or other competent person could have measured the machine and obtained the dimensions. In *Tuck & Sons v. Priester* a printer who had been employed to make copies of a public drawing was enjoined from selling prints which he had made from the picture. It seems apparent that the printer could have gone to the gallery and made like reproductions from the drawing. These cases, as well as others, seem to ignore the "secret test."  

Nor have the English courts refused to enjoin the use of information which does not conform to the idea of a technical "trade secret." The case of *Lamb v. Evans* is an interesting one. There the defendants were engaged to secure the names of merchants for a publication. The merchants furnished, in most instances, the "blocks" and other materials for publishing their names in the book. Upon quitting the complainant’s employ the defendants were enjoined from using these "blocks" and materials or the names thereon in connection with a rival publication. Certainly the materials did not belong to the complainant—at least not those furnished by the merchants. The court evidently did not follow a "property" requirement in giving the injunction.

It seems that the English cases proceed more on the theory of a "confidence abused" or a "trust betrayed" ("confidential relation") than on the existence of a "property right". As was said by Hawkins, J., in *Robb v. Green*:

"I have a very decided opinion that, in the absence of any stipulation to the contrary, there is involved in every contract of service an implied obligation, call it what name you will, on the servant that he shall perform his duty, especially in these essential respects, namely, that he shall honestly and faithfully serve his master; that he shall not abuse his confidence in matters appertaining to his service, and .

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21 (1892), 2 Ch. 518.
22 19 Q. B. 629 (1887).
23 See supra, note 12; Hannegan, op. cit. supra, note 2, at p. 978.
25 (1892), 1 Ch. 218.
that he shall, by all reasonable means within his power, protect his master's interests in respect to matters confided to him in the course of his service."

To a similar effect is the statement of Kekwich, J., in Merryweather v. Moore:

"It is sometimes difficult to say whether the court proceeded on the implied contract or the confidence, for I will put aside once for all any cases arising on express contract. Perhaps the real solution is that the confidence postulates an implied contract: that, where the court is satisfied of the existence of the confidential relation, then it at once infers or implies a contract arising from that confidential relation . . . " (Italics are the writer's).

The effect of these statements seems to be that since the employee occupies a position of advantage he shall not be allowed to use it to the injury of the employer. The "implied contract" spoken of means little by itself. The main idea seems to be that the defendant has "betrayed a trust", or, in other words, violated the duty of good faith which equity says the employee owes to his employer. The "implied contract postulated by confidence" merely appears to be an imperfect statement of such equitable doctrine.

There is a greater diversity of opinion among the American courts as to what information is the proper subject of injunctive relief. Several jurisdictions state that they will enjoin only when the information is in the nature of a "trade or business secret" and they follow a strict view of what constitutes a secret. The following definition is representative of what these courts deem to be a "trade secret":

"A trade secret is a plan or process, tool, mechanism, or compound, known only to its owner and those of his employees to whom it is necessary to confide it. It is a property right which equity, in the exer-

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25 (1895), 2 Q. B. 1, 10.
27 (1892), 2 Ch. 518, 522.
28 It is interesting to note that the English courts have not limited relief to instances in which the defendant had direct relations with the employer. Tipping v. Clarke, 2 Hare 383, 67 Eng. Rep. 157 (1843); Prince Albert v. Strange, supra, note 24 (In the latter case the defendant was enjoined from showing copies of etchings made by Prince Albert and the Queen, the defendant having come into possession of the copies through an employee of the printer to whom Prince Albert gave the etchings for impressions. It is possible that this case could have been based on the so-called "right of privacy," but such right was not then fully recognized. The court based its decision on a "breach of confidence or trust"); Pollard v. Photographic Co., supra, note 24. Contra if third party is bone fide purchaser for value. Lamont, Coreless & Co. v. Bonnie Blend Chocolate Corp., 235 N. Y. Supp. 73 (1929).
29 Progress Laundry Co. v. Hamilton, 208 Ky. 348, 270 S. W. 834
exercise of its power to prevent a breach of trust, will protect. It differs from a patent in that as soon as the secret is discovered, either by an examination or in any other honest way, the discoverer has a full right to use it. A process commonly known to the trade is not a trade secret and will not be protected by injunction. . . . "

The effect of such requirement resolves itself into a question of whether "property" is involved, and indicates that the court is searching for some quasi-tangible res upon which to place its relief.

These jurisdictions generally refuse to enjoin a defendant from soliciting customers whose names he learned while in the employ of the complainant, provided the defendant did not take or copy a list of such customers but merely "carried them in his head." And just at this point is where the requirement of "property" breaks down. The following statement is indicative of the attitude of the courts which take this view:

"Trade secrets are the property of the employer, and cannot be taken or used by the employee for his own benefit, but customers are not trade secrets. They are not property. The right to trade with them may be property, but that right was not interfered with by the defendant. Written lists of customers may be property, but the defendant did not take such list.""}

Justice Holmes indicates an opposite approach:

"The word property as applied to trademarks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith . . . . The starting point for the present matter is not property . . . but that the defendant stood in confidential relations with the plaintiffs."

(1925); Stein v. National Life Ass'n., 105 Ga. 821, 32 S. E. 615 (1899); Boone v. Kreig, 166 Minn. 33, 194 N. W. 92 (1923); Garst v. Scott, 114 Kan. 676, 220 Pac. 277 (1923); Morrison v. Woodbury, 105 Kan. 617, 185 Pac. 735 (1919). In Stevens & Co. v. Stiles, 29 R. I. 399, 71 Atl. 802 (1909), an employee was enjoined from using names he had copied from the list of customers who had come to him while in the complainant's employ to have their eyes examined. For all that appears he used his own pen and paper.

30 Progress Laundry Co. v. Hamilton, supra, note 29, at page 835. 
31 See cases supra, note 29. In Boone v. Kreig, supra, note 29, the court intimates that it would decide differently if the plaintiff had an established "trade route" which had become an "asset of the business." See also, Fulton Grand Laundry v. Johnson, 140 Md. 359, 117 Atl. 753, 23 A. L. R. 420 (1922); El Dorado Laundry Co. v. Ford, 174 Ark. 107, 294 S. W. 393 (1927); American Cleaners & Dyers v. Charley Foreman, et al., 252 Ill. App. 122 (1929); May v. Angoff, et al., 272 Mass. 317, 172 N. E. 220 (1930).
33 Dupont v. Massland, 244 U. S. 100, 61 L. Ed. 1016, 1019 (1917).
If the first view is taken, which after all is a "property" requirement, we get several peculiar results. To make a distinction between taking a written or copied list and committing one to memory makes the protection depend on the form in which the information is used rather than on the nature of the information. Certainly the mere taking of a written list, if not written on paper belonging to the employer, cannot alone make out a property res, nor does the written character of the information change its value or nature. It may be quite true that in many instances the copying and carrying away of information presents concrete evidence of the confidential character of the information in question, but this is not always the case. Persons with limited powers of retention may find it necessary to commit to writing many matters of rather general knowledge within the business which clearly should not be prohibited. The distinction between written and memorized information may place a premium on retention and a penalty on forgetfulness, but further than this the value of such a test would seem to be negligible.

Another reason which is given by these courts for not forbidding the use of memorized names is that it would be in restraint of trade and therefore against public policy to enjoin such use. And yet they state in the same breath that a list of the same names, if taken in written form or copied, is subject to injunction. Also, it is intimated that if there were a contract against the use of memorized names it would be enforced. The difference is difficult to see, for again the court is making the entire decision turn upon the form in which the information is taken, or it is saying that an express contract will be enforced to prevent the use of information, although without such a contract the restriction of such information would be against public policy.

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34 This view is strongly expressed in Progress Laundry Co. v. Hamilton, supra, note 29, and appears in other cases cited there.
35 See Progress Laundry Co. v. Hamilton, supra, note 29, and other cases cited here.
Progress Laundry Co. v. Hamilton seems to be the only Kentucky case in which the problem has directly arisen. In this case the defendant employee had worked one of the plaintiff’s laundry routes in Louisville for a period of five years. He quit the plaintiff’s employ and began work for a rival competitor, proposing to solicit his former customers whose names he learned while in the plaintiff’s employ. He had no written list and relied solely on his memory for the names. The employee was denied an injunction to restrain him from soliciting these customers and on appeal this judgment was affirmed.

The Court of Appeals admitted that "trade secrets" would be protected by injunction, and said the only question was whether in this case the information possessed by the defendant could be properly classified as a "trade secret." The Court adopted the following definition of a "trade secret":

"A trade secret is a plan or process, tool, mechanism, or compound, known only to its owner and those of its employees to whom it is necessary to confide it. It is a property right which equity in the exercise of its power to prevent a breach of trust, will protect..."

By this test the Court held the information gained by the defendant could not be properly termed a "trade secret".

The Court then went into a discussion of public policy and said that to enjoin the defendant from using the information he possessed here would conflict with a well cherished principle of the law, i.e. "that competition should not be stifled but be free and untrammeled."

It would seem that this is probably the strongest part of the decision and should constitute the test upon which such cases should turn. Clearly, it would be unwise to hamper an employee so that he could not be able to earn a living in a similar position for some other competitor. Each of these "information cases" would seem to call for a "balancing of equities" or a weighing of policies. The hardship resulting from enjoining such employee may outweigh the hardship to the employer by allowing use of the information. But at least the employer should be protected from unfair business competition,

27 208 Ky. 348, 270 S. W. 834 (1925).
and undoubtedly in many of the cases involving the use of customers' names the employee was deliberately sought by the competitor in order to attack the first employer's trade. It would seem, therefore, that each case should be carefully considered as to the interests involved, and bad faith or unfair practices both on the part of the employee and his subsequent employer should play a prominent part in any case.

While the result in the Progress Case seems justifiable on the particular facts of the case, the Court seems to say that if this list of names had been copied from the plaintiff's books or papers an injunction would issue. For reasons already given in this discussion, such reasoning appears to be unsound, and evidences a tendency to think of "property" as necessarily being represented by some tangible res.

If no paper or material of the employer is used by the employee in copying the names, it is difficult to see why the names would be deemed "property" if written, but not "property" if memorized.

There are other jurisdictions which take a more liberal view of the kinds of information which should be protected and do not limit relief to "trade or business secrets." California and New York have gone as far as, if not farther than, any other jurisdictions in awarding injunctive relief. These states have enjoined the solicitation of customers whose names were obtained by the defendant in the course of his service even though there was no express contract or a list taken or copied.

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"Counsel . . . argues that there is a distinction between the present case and one where a trade secret is involved, such as a secret formula of manufacture, or secretly designed machinery, or something of that sort. I know of no such distinction, and I think that, clearly, any information obtained by an employee in a confidential manner is equally as sacred as such secrets I have referred to." (Italics are the writer's.)

39 People's, Etc., Co. v. Light, supra, note 38; Withop v. Great A. &
Other jurisdictions have reached similar results. New York does seem to make a distinction between cases in which the employer has worked up a private list that could not be obtained from public sources and those in which the names could be obtained without individual effort. The decisions enjoining the solicitation of customers proceed on the theory that, but for the employment in which the defendant was introduced to these people, he would never have known their names.


French Bros., Bauer Co. v. Townsend Bros. Milk Co., et al. 21 Ohio App. 177, 152 N. E. 675 (1925) (holds no difference whether list is written or memorized); Southwest Pump Co. v. Fortlum, 235 Mo. App. 262, 29 S. W. (2d) 165 (1930); Charles Reuly Optical Co. v. Burke, 41 S. W. (2d) 909 (Mo. St. Ct. of App., 1931). See cases supra, note 38. Massachusetts has decided likewise where there was a contract. See, however, Horn Pond Ice Co. v. Pearson, et al., supra, note 38, where the court makes a distinction as to names of customers; and see, Commonwealth Laundry Co., 186 N. E. 41 (Mass., 1933).

It was claimed in this case that the names of the customers could be obtained from the city directory and that there was no privacy about them. The court adopted this view and made a distinction between cases of this kind and those in which the list was privately worked up and unavailable to the general public.

In Sallinger v. Coward & Co., Inc., 242 Mass. 58, 136 N. E. 79 (1922), an injunction was sought to restrain the defendant from soliciting customers on the ground that the plaintiff, who was a retail merchant, sent those customers to the defendant, who was a wholesale merchant, to get goods upon the plaintiff's order. It was claimed that the defendant copied the names down in this way and later solicited them for business in competition with the plaintiff. The court denied the injunction and Rugg, C. J., said:

"The relation between the plaintiff and the defendant, as disclosed by the bill, was not fiduciary in any respect. It was not that of principal and agent. It was not that of employer and employee."

Boston and Suburban Laundry Co. Inc. v. O'Reilly, 253 Mass. 94, 148 N. E. 373, 374 (1925). The court said:

"It must be recognized that in employing one as a driver and collector for a laundry the employer introduces the person to a public capable of furnishing business to which but for such introduction might never be known. The difficulty of proving improper use of knowledge acquired and of connections established during the employment is very great."
There is another group of cases which appear to contradict the theory that the information used must be the subject matter of property. Several jurisdictions have declared that an employee cannot secure a renewal of a lease held by the employer if the employee learned of the lease by reason of his service. This is in keeping with the similar doctrine applied in the case of a trustee. Under modern conditions it can hardly be said, in the absence of an option to renew, that a lessee has a "property right" in the prospective renewal of a lease. Today his mere expectation to renew does not create a "property right". An outsider certainly could compete with him and secure the lease by offering better terms. Nor is the information acquired by the employee as to the expiration of the lease a "secret" in the sense that the general public could not discover it, for ordinarily an outsider could get this information by a little investigation.

With respect to this point a very interesting case has recently been decided in Massachusetts. In Horn Pond Ice Co. v. Pearson et al. the plaintiff was engaged in the business of harvesting, storing and selling ice. It employed the defendants to aid in the harvesting and to drive its sale wagons. In a period of business depression all of the employees were asked to sign contracts expressly providing that they would not engage in a similar business in the community for five years after leaving the plaintiff's employ. Fearing a loss of their jobs if they refused, most of the employees, including the defendants, signed such a contract. Some time before the plaintiff's lease on one pond expired, the lessor asked one of the defendants if he would take the lease on such pond. The defendant expressed

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43 Essex Trust Co. v. Enwright, et al., 214 Mass. 507, 102 N. E. 441 (1913); Horn Pond Ice Co. v. Pearson, et al., 267 Mass. 256, 166 N. E. 640 (1929); Gower, et al. v. Andrew, et. al., 59 Cal. 119 (1881); Davis v. Hamlin, 108 Ill. 39 (1883). It might be contended, however, that the relation of principal and agent existed in the last cited case, i. e., if a distinction is sought to be made between the agency cases in this connection and those involving master and servant.

44 See supra, note 6.

45 The doctrine that the tenant's expectancy of renewal should be protected arose in England at a time when the social conditions were entirely different from those of the present time, and when it was the general custom that the tenant had a "right" to renewal. See note in 33 Yale L. J. 885. Hart, op. cit. supra, note 6.

a desire to do so but explained that he was financially unable. Shortly before the expiration of the old lease the defendants secured financial backing and made a proposition to the lessor which he accepted. They then left the plaintiff’s employ, informing one of its officers that they had the lease on the pond. After waiting for the plaintiff to make an attractive offer for the use of the pond, the defendants installed machinery and began to sell ice. They solicited customers whose names they had learned while in the plaintiff’s employ. The plaintiff asked for the following relief against the defendants:

1. That they be enjoined from soliciting the plaintiff’s customers.
2. That the contract be enforced which provided that the defendants would not engage in a similar business for five years.
3. That they be made constructive trustees of the lease for the benefit of the plaintiff.

The court refused to enjoin the solicitation of customers, saying that since the plaintiff did most of the ice business in the community these customers were really no more than the people who bought ice, and therefore information as to their names was not “confidential or secret”. It also refused to enforce the contract, partly because of the unreasonable manner by which it was obtained. The court did, however, declare the defendants to be constructive trustees of the lease for the benefit of the plaintiff. Rugg, C. J., said:

“An employee, who learns in the course of or by reason of his employment that the premises where his employer’s business is conducted are of peculiar value to his employer or one carrying on his business, has no right without his employer’s knowledge to take a lease of those premises and hold them as his own to the injury of the employer’s property.”

The doctrine applied in this case bears a still stronger analogy to the trust situation than the ordinary employment cases, for the defendants learned of the lease and its value from the lessor, who took it upon himself to inform them. Factually it can hardly be said that the defendants learned of the lease from their employment. The result seems sound, but it appears that the court was a bit inconsistent. If the defendants could

*Supra*, note 46. It is obvious, of course, that having secured the latter relief the plaintiff did not need the injunctive relief asked for. If the defendants had to give up the lease to the pond they would have no ice to sell, and consequently would have no need to solicit customers.
not be enjoined from soliciting customers, whose names they had learned directly from their employment, because such information was not "confidential or secret," how could they be forced to hold the lease in trust since they did not learn of it from their employment and the information concerning the lease could hardly be called "secret"? It seems reasonable to say that the court did not wish to go too far in limiting the opportunities of an employee to earn a living, and yet it felt—quite justifiably—that this necessity did not extend so far as to allow an employee to secure a lease on his employer's premises to the latter's injury. If the case is put on this question of policy it becomes much clearer why relief should be given as to one feature and denied as to the other.

Metaphysical speculations about "property" could be avoided in these and other like cases if the court would clearly enunciate the policy which seems to lie behind its decisions. The reality of the matter seems to be that trust doctrines—or at least one such doctrine—have been brought over into the employment field—quite logically—but since this field involves the "competitive system" in its working, the trust doctrine clashes with the theory of "laissez faire" or the policy which forbids restraint of trade. Consequently if the trust doctrine is pushed too far it appears to result in an injury to the employee by cutting off his "world of endeavor." Is not the court, then, really saying in these cases that it will be more beneficial if the trust doctrine is stopped at this point because it is interfering in a harmful way with the opportunity of the employee to earn a living? Lawler, J., said as much in *New Method Laundry Co. v. MacCann*:

> "Considerations of public policy and justice demand that such protection should not be carried to the extent of restricting the earning capacity of individuals on the one side, while tending to create or foster monopolies of industry on the other."

This view certainly would eliminate technical discussions of what constitutes "property" and would place the real considerations of policy in the position of importance which they deserve, and would present in a clear light the true grounds of the courts' action. Admittedly questions of policy always present room for a difference of opinion and there is bound to be less

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*174 Cal. 26, 161 Pac. 990, 991 (1916).*
mathematical certainty when courts deal with such questions. On the other hand, one might reasonably expect a closer degree of scientific accuracy in attempts to define "property" and yet in handling the "information cases" the courts seem to fail in the effort.