

“Wait until you see the whites of their eyes!” This is an expression at least as old as the American Revolution, when residents near Boston gathered in partisan bands to fight off the invading British. American success in that encounter was based on lying in wait until the red files of opposing troops were so close that musket fire could not miss. This same adage, according to a recent Virginia case, also seems to be the Supreme Court’s guidance to employers who seek to protect trade secrets in the hands of former employees.

Greg East worked as a top-level manager for Motion Control Systems (“MCS”), a manufacturer of specialized brushless electric motors, under a restrictive covenant. The covenant forbade East from disclosing MCS’s trade secrets and from working for a competitor of MCS for two (2) years if he moved on to another company. East left MCS and began working for a neighboring and competing electronics company that also made similar electric motors.

MCS, predictably, brought suit seeking an injunction against East, based on his non-compete agreement and his possession of high-level trade secret information. The trial court pointed out that covenants not to compete are in restraint of trade and must be strictly construed. Therefore, the Court found the prohibition on East’s working in a “similar business” to be overbroad and unenforceable. Nonetheless, the court found East possessed sensitive trade secret information and enjoined East from disclosing MCS’s trade secrets.

Everybody appealed. The Supreme Court of Virginia agreed with the trial court on

the non-compete issue but reversed as to the trade secret controversy. The Court noted that Virginia’s Uniform Trade Secrets Act, Virginia Code §§ 59.1-336, -337, permitted an injunction only against “actual or threatened” misappropriation. The Court’s interpretation of the “plain meaning” of the statute led to the conclusion that “[m]ere knowledge of trade secrets is insufficient to support an injunction.” There must be more to constitute a threat of misappropriation.

So, after a lengthy trip through the judicial system, East ended up shedding his non-compete restriction and evading the clutches of the legal system altogether by convincing the Court that he was keeping MCS’s trade secrets to himself and not giving them away to his new employer. A seemingly even-handed and bargained-for protection of MCS’s business was summarily cast aside.

What the Supreme Court thereby illustrated to employers was the necessity of being able to prove an overt act of actual or threatened trade secret misappropriation before getting court help in stopping it. A wise man once quipped “if I could prove everything I really know, I would be a wealthy man.” Likewise, if an employer could prove the theft of every trade secret that actually occurs, injunctions would be easy to obtain, although potentially too late to be of benefit. For now, Virginia law seems to suggest that a former employee cannot be enjoined from the possible disclosure of trade secrets. It is what an employee discloses, not what he merely knows and could reveal, that counts. Save your ammunition until you see the whites of their eyes.