



706 - Everything You Need to Know About Noncompetition Agreements

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Faculty Biographies

Carol Gibbons

Carol Rick Gibbons is an associate general counsel for Capital One Financial Corporation in Richmond, Virginia. Ms. Gibbons manages the employment law practice group, where she is responsible for overseeing and providing legal support for employment, benefits, and non-competition agreement matters in the U.S. and Canada.

Prior to working for Capital One, Ms. Gibbons was an associate with McGuire Woods, where she specialized in employment litigation and counseling, as well as handling school law matters.

Ms. Gibbons is a member of the ACC's labor and employment committee, and she serves on the Richmond Steering Committee for ACC's Washington Metro (WMACCA).

Ms. Gibbons earned her B.A. from the University of Florida and her J.D. from Duke University.

Lisa Kabula

Lisa Kabula is senior counsel of Ryder System, Inc., in Miami. Ryder is a Fortune 500 global transportation and supply chain management solutions company with over 29,000 employees worldwide. Ms. Kabula's responsibilities include providing legal counsel, training, and advice to human resources regarding all aspects of employment law and managing employment litigation.

Before joining Ryder, Ms. Kabula was a labor and employment associate with King & Spalding in Atlanta.

Ms. Kabula earned a J.D., cum laude, from Georgia State University College of Law, where she was Managing Editor of Georgia State University Law Review and a B.A. from the University of Western Ontario.

Patti Russell

Patti E. Russell is associate general counsel and chief employment counsel for Becton Dickinson and Company (BD) in Franklin Lakes, New Jersey. Her responsibilities include advising senior management on all workplace/human resources issues worldwide, managing general litigation, and ensuring EEO compliance. Ms. Russell also serves as primary counsel to the company's ethics and security functions, and advises senior management on a variety of business issues. She is a member of the diversity inclusion steering committee, and is a diversity awareness master trainer.

Prior to joining BD, Ms. Russell was a litigation associate with McCarter & English in Newark, New Jersey.

Ms. Russell serves as deputy general counsel of the general side of the Law Group, working as a management team with the general counsel and the chief intellectual property counsel. In addition to her legal role, Ms. Russell is director, human resources, providing HR support and strategic direction for the worldwide regulatory, communications/public relations, government relations and social investing functions. Ms. Russell is a member of the legal affairs committee of the New Jersey Business and Industry Association. She also is a faculty member of the paralegal studies program at Fairleigh Dickinson University and lectures both internally as a member of BD University's faculty and externally at seminars on various topics.

Ms. Russell received a B.S. from Cornell University and is a graduate of New York University School of Law.



Employer Protections

● Non-Disclosure of Confidential Information Provision

- **What:** Protects Trade Secrets and other confidential information
- **When to Use:** Use with employees with access to confidential business information to enhance protections offered by company policies and common law duty of loyalty
- **Things to Consider:**
 - Ensure you keep your confidential information secret (limit access, label documents, train employees, etc.) and don't overreach with definition of confidential information
 - In some states you must define for how long an employee cannot use confidential information that does not rise to the level of a Trade Secret. *E.g. Thomas v. Best Manuf. Corp., 218 S.E.2d 68 (Ga. 1975)*
 - Avoid NLRA violation – don't prohibit employees from discussing terms and conditions of employment. *See Cintas Corp. v. NLRB, 482 F.3d 463 (D.C. Cir. 2007)*

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Employer Protections

● Work Product/Invention Agreement

- **What:** Establishes that work created by an employee in the course of employment is owned exclusively by the company and not the employee
- **When to Use:** Use with employees who are in a position to create innovative products, processes, etc.
- **Things to Consider:**
 - Should exclude works created on the employee's own time and without employer resources unless:
 - It relates to the employer's business or research or
 - It results from work done by the employee for the employer
 - *See e.g. CA Labor Code § 2870*

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Employer Protections

● Non-Solicitation of Employees Provision

- **What:** Prohibits departing employee from soliciting other employees to leave your company and go elsewhere; may prohibit hiring of current employees
- **When to Use:** Use with employees who have influence and opportunity to take key talent with them
- **Things to Consider:**
 - A non-solicit is easier to enforce in court than a non-hire but may be harder to prove a violation *See Pactiv Corp. v. Menasha Corp.*, 261 F.Supp.2d 1009 (N.D.Ill. 2003)
 - Need protectable interest to justify restriction; some courts say keeping current employees is protectable interest but others do not *Compare Int'l Security Mgmt Group v. Sawyer*, 2006 WL 1638537 (M.D.Tenn 2006) and *Schmersahl, Treloar & Co., P.C. v. McHugh*, 28 S.W.3d 345 (Mo.App. E.D. 2000)
 - Consider whether to limit non-solicit to employees who work at competing companies *See Brown Svcs. Inc. v. Brown*, 1999 WL 681964 (Tex. App.Hous. (1 Dist.) 1999)
 - Consider if such a provision will be a recruiting or retention issue, based on industry practice

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Employer Protections

● Non-Solicitation of Customers Restriction

- **What:** Prohibits departing employee from soliciting the employer's customers
- **When to Use:** Use with employees who manage key customer/supplier/referral source relationships (e.g. sales force)
- **Things to Consider:**
 - Generally viewed under same standard as non-compete (must be reasonable in time, scope etc.) but often viewed as less intrusive because employee can still work in his field
 - Some jurisdictions require that restriction should be limited to customers with whom the employee had a relationship *E.g. Orkin Exterminating Co. v. Walker*, 307 S.E.2d 914 (Ga. 1983)
 - Consider industry practice and whether this would create a recruiting/retention challenge

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Employer Protections

- **Non-Competition Covenant**
 - **What:** Prohibits employee from working for a competitor
 - **When to Use:** Use with employees who have access to confidential information or who received specialized training and for whom other protections are not sufficient
 - Senior executives
 - Technical employees (strategists, analysts, engineers, etc.)
 - **Things to Consider:**
 - Give employee agreement with offer letter and make sure consideration is sufficient
 - Make sure restriction does not extend beyond competitive activities in which the employer is engaging and that duration and geographic scope are reasonable and tied to employer's business interests
 - Enforce consistently and be able to justify any waivers
 - Not allowed in certain states and industries
 - Ex: California, North Dakota
 - Ex: attorneys, broadcasters, security guards

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Employer Protections

- Forfeiture for competition provisions (Employee Choice Doctrine)
 - Employee loses vesting of equity or other post-termination benefits if he competes
 - Does not apply if employee is terminated without cause *See Post v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 397 N.E.2d 358 (NY 1979)
 - If pension benefit is vested under ERISA minimum vesting rules, cannot be forfeited
- Confidentiality policy
- IT solutions
- Retention programs
- Inevitable disclosure theory
 - Not available everywhere *E.g. Whyte v. Schlage Lock Co.*, 101 Cal.App.4th 1443 (2002)
 - Usually limited to circumstances where employee acted in bad faith and took confidential information

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Questions to ask when deciding which protections to use

- What are you trying to protect (customer relationship, goodwill, confidential information etc.)?
- What is the scope of the business being protected and the employee's role in that business?
- How can the employee be a competitive threat based on his role and access to information?
- Will you be able to tell if confidential information is taken?
- How long is the shelf life of the protectable interest?
- Can the employee earn a livelihood with the restriction?

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Overview of Restrictive Covenants

- **What are they?**
 - Agreements restricting employee's ability to engage in certain work after employment ends
- **Where are they found?**
 - Often contained in more comprehensive employment agreement, stock or other compensation agreements
- **What employer interests do they protect?**
 - Trade secrets
 - Confidential business information
 - Existing customer relationships
 - Retaining current employees

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Examples of Potential Confidential Information

- Trade secrets
- Know-how
- Improvements
- Discoveries
- Designs
- Customer and supplier lists
- Budgets
- Business plans and strategies
- Forecasts
- Cost information
- Formulae
- Processes
- Computer programs
- Databases

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Restrictive Covenants Are Governed by State Law

- **California – statutory prohibition on covenants not to compete between employers and employees**
 - Also prohibits employers from making an employee sign an employment agreement that contains an unenforceable covenant not to compete as a condition of employment
- **Georgia – statutory prohibition on covenants not to compete that are a general restraint on trade**
 - Enforced in narrow circumstances where the business has a recognized interest in preserving goodwill, specialized training, and confidential information
- **Oregon – statutory prohibition on non-competition agreements unless entered into by the employee at the beginning of employment or upon a subsequent bona fide advancement**
 - “Bona fide advancement” includes a promotion with a change in duties or responsibilities, not just a raise
- **Texas – statutory “Covenants Not To Compete Act”**
 - Prior to a recent Texas Supreme Court decision, employers were required to provide employee with confidential information to be protected at the time the employee signed the agreement containing the restrictive covenant
 - Post *Alex Sheshunoff Mgmt. Servs., L.P v. Johnson*, so long as the employer promises to provide confidential information to the employee during the employee’s employment and fulfills that promise during the employee’s employment, the restrictive covenant may be enforceable and not fail as an illusory promise

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Types of Restrictive Covenants

1. **Non-Competition Covenants**
 - Prohibit the employee from working in a certain capacity for a competing business
2. **Non-Solicitation Covenants**
 - Prohibit the employee from contacting customers s/he had contact with while employed by the employer
3. **Employee Raiding Covenants**
 - Prohibit the employee from attempting to recruit the employer's current employees
 - Sometimes included as part of a non-solicitation covenant
4. **Non-Disclosure Covenants**
 - Prohibit the employee from disclosing the employer's confidential information and require the employee to return all confidential information upon the termination of employment

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Drafting Restrictive Covenants

- **Consideration**
 - Actual employment
 - Continuing employment
 - Additional consideration – payment of bonuses, stock, or promotion
- **Burden**
 - On the drafter to establish enforceability
- **Ambiguities**
 - Construed against the drafter
- **Remember: each state is DIFFERENT**

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Enforceability of Non-Competition Covenants -- Overview

- **Competing Interests**
 - Balance employee's restraint on trade vs. employer's protection of customers and confidential information

- **Protecting the Employer's Interests**

- **Must be Reasonable**
 - Time
 - Geography
 - Scope of Activity

- **Again, remember: each state is DIFFERENT**

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Enforceability of Non-Competition Covenants -- Time

- **Non-competition period must be reasonable**
- **Reasonableness depends upon:**
 - Nature of employer's business
 - "Shelf life" of information being protected
 - Nature of the particular industry

- **Examples of "Reasonableness" Factors:**
 - Agreement must protect the legitimate interests of the employer
 - Agreement cannot impose undue hardship on the employee
 - Agreement cannot be injurious to the public

- **One size does not fit all** → most courts will look at the time and geographic restrictions together: the shorter the time period, the larger the geographic area that can be restricted and vice versa

- **Generally speaking...**
 - Up to 2 years is generally upheld as reasonable
 - 3-4 years will be scrutinized by the courts
 - 5 years or more will not be enforceable

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Enforceability of Non-Competition Covenants -- Geography

- **Generally, must be no greater than the area where the employee worked for the employer**
- **Overbroad examples:**
 - Covers a state and areas of states where the employee never worked
 - Restricts a former employee from post-employment competition in a geographic area where the employer has no business interest
 - Nationwide or worldwide geographical restrictions are difficult to enforce, however, may be enforceable if employee is an executive of a global company
- **Territorial restrictions must be specifically identified at the time the employee signs the agreement**
 - Covenants struck down where scope of restriction cannot be determined until the employee's termination

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Enforceability of Non-Competition Covenants -- Scope of Activity

- **Generally must not restrict employee from performing duties that s/he did not perform for employer**
- **Overbroad:**
 - Restrictions on post-employment competition in "any" capacity
 - E.g., Georgia
 - ≠ Former employee must not be restricted from performing duties that employee did not perform for the employer
- **Should state specifically that they restrict the employee from working for a competitor in the same or substantially similar capacity they worked for the employer**

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Non-Solicitation Covenants

- **Generally covenants not to solicit must contain:**
 - Reasonable geographical restriction or
 - Pertain only to clients with whom employee had a business relationship
 - Material business contact
- **Generally cannot prevent employee from continuing customer relationship established *before* employee was hired by the employer**
- **Generally cannot prevent employee from soliciting customers where customers are known in an industry or are easily discernible**

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Non-Disclosure Covenants

- **Provisions to include:**
 - Employee's promise to keep information in confidence
 - Define what information is confidential with examples
 - Employee's promise to return all confidential information upon the termination of employment
 - Employee's promise not to elicit customers or other employees from the employer
 - Statement of consideration
 - Consent to injunctive relief

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Suggestions for Enforceable Restrictive Covenants

- **Disclose to potential employee before hiring that employer will require a non-compete**
- **Draft as narrowly as possible while still achieving the employer's objectives**
- **Include a statement of “consideration” in the agreement (i.e., continued employment)**

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Reformation/Blue Penciling

- **Most states:**
 - Allow a court to reform or “blue pencil” an overly broad restrictive covenant to make it enforceable
 - But court may reject entire agreement if employer exhibits bad faith with unreasonable restrictions
- **Some states:**
 - Do not allow a court to blue pencil
 - E.g., Georgia
 - If an agreement contains both non-competition and non-solicitation covenants, both covenants will be deemed unenforceable if there is a single flaw in either of them

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Reformation/Blue Penciling

- Examples of states that may blue pencil:

- Alabama
- Alaska
- Florida
- Iowa
- Illinois
- Michigan
- New Jersey
- New York
- North Dakota
- Ohio
- Pennsylvania
- Tennessee
- Texas

- Examples of states that might not blue pencil:

- California
- Georgia
- Indiana
- Nebraska

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Unenforceability Considerations

- Courts may not enforce an otherwise-valid restrictive covenant if:

- Employer still owes employee money
- Agreement is unconscionable
- Employee was wrongfully terminated
 - Courts may *reluctantly* enforce restrictive covenant if employer terminates employee's employment for any reason
- Agreement signed under duress
- Lack of consideration

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Inevitable-Disclosure Doctrine

- **May be possible to restrict former employee from working for competitor even absent agreement**
 - If employee would inevitably use or disclose employer's confidential information or trade secrets in the performance of his/her new employment
- **Riskier to rely on this doctrine – safer to have an agreement from the outset**
- **Defense of last resort – most courts will not enforce**

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What To Do When Employee Breaches Restrictive Covenant

- **Take immediate action**
- Delay will make it more difficult to obtain temporary restraining order or preliminary injunction.
- Interim injunction is critical because it prevents the employee from causing additional irreparable harm and it gives the employer a bargaining advantage in settlement negotiations.
- Most cases are resolved at the TRO/preliminary injunction stage.

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Tactics To Avoid Litigation & Theft

- Best tactic: prevent employees from wanting to leave in the first place
- “Beach-time” Covenant: agree to pay the employee during non-competition period
- Consistent enforcement of restrictive covenants
- Clearly communicate employee’s obligations
 - Exit Interviews

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Exit Interview Checklist

- Discuss and provide copies of all restrictive covenants, confidentiality agreements, handbook policies, etc.
 - Clearly explain the types of employment precluded by restrictive covenant
 - Clearly explain the types of information considered by employer to be confidential or trade secrets
- Do not intimidate or brow-beat the employee

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Exit Interview Checklist

- **Obtain details about employee's new employment**
 - Determine potential for conflicts or disclosure of confidential information
- **Have employee account for all electronic data, documents, business information, etc.**
 - Have employee confirm in writing that all company property has been returned

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Exit Interview Checklist

- **Document what was discussed and have employee sign acknowledgement**
- **Advise employee of whom to contact if any questions arise regarding what is confidential**
- **After employee leaves, notify the new employer of any relevant covenants**
 - However → beware of potentially defamatory communications!!

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Potential Liability for New Employer

- **Potential liability if new employee steals trade secrets from a former employer**
 - When an employee leaves, notify new employer of any confidentiality and non-competition agreements
- **Also consider this when you hire somebody**
 - Have new employees sign a promise to honor their former employer's restrictive covenants, trade secrets, and proprietary information

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Causes Of Action Potentially Available Against Employee

- **Breach of contract (i.e., non-competition or nondisclosure agreement)**
- **Theft of trade secrets or confidential information**
- **Conversion or unfair competition**
- **Breach of employee's fiduciary duty of loyalty**

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Pros and Cons of Suing the New Employer and Former Employee

● **Pros:**

- Sends a message – we are willing to fight these battles if you hire away our employees
- New employer may take immediate action to prevent employee from using secrets
- New employer has deeper pockets

● **Cons:**

- Suing two parties: could face a multi-front battle
- New employer has deeper pockets

● **Note: Be consistent!**

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[Sample]

**XYZ COMPANY
RECRUITING AND EMPLOYMENT GUIDELINES**

XYZ respects the confidential and proprietary information of every organization, and we do not want any individuals that we recruit to use or disclose any confidential or proprietary information belonging to any other company. It is therefore very important that you do not encourage any candidates for employment with XYZ to disclose any confidential or proprietary information belonging to any other company. It is also important that you do not disclose confidential or proprietary information belonging to any of your past employers to anyone at XYZ.

Consistent with our Company Values, XYZ does not intentionally interfere in the business affairs of its competitors and requests that, while you are employed at XYZ, you are careful not to do so as well. We seek to compete fairly for the services of skilled employees. These guidelines have been developed to assist you in recruiting the best candidates in an ethical, lawful manner, and to protect the integrity of past employers' intellectual property.

I. GENERAL RECRUITING GUIDELINES:

1. Please direct your recruitment efforts at a variety of companies and organizations. For example, you should place advertisements for open positions at XYZ in trade newspapers and direct recruitment activities at a variety of companies. Do not target advertisements or other recruitment efforts solely to the employees of a specific company.
2. If interested in potential candidates for other positions, limit inquiries to new hires or other associates to general questions as to whether they know other potential Candidates for employment. Do not ask associates for lists of the names of potential Candidates from a specific company or provide such lists to the Human Resources (HR) Department, Staffing Center or external recruiter.
3. In response to research conducted by the HR Department, Staffing Center or external recruiter on a specific company and its employees, you may indicate whether or not XYZ would be interested in soliciting these employees.

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BECTON DICKINSON AND COMPANY

4. If a Candidate contacts you because he/she is interested in working for XYZ, regardless of any personal relationship you may have with this Candidate, you must direct him/her to apply for a position at XYZ through [XYZ.com] website, the HR Department or the Staffing Center, as appropriate.
5. Treat Candidates who are employees of your former employer or with whom you otherwise have a personal relationship the same as you would treat Candidates with whom you are not acquainted. If employees of your former employer who are interested in positions at XYZ contact you, refer them to the [XYZ.com] website, the Staffing Center or the HR Department, as appropriate, and follow the protocol in place for all other Candidates.
6. If you interview a Candidate for a position at XYZ, do not ask him/her to identify other employees employed by his/her current employer who might be interested in a position at XYZ. Please conduct all recruitment efforts without the assistance of any Candidates. If the Candidate tells you that he/she and others currently working with him/her are interested in working for XYZ (e.g., "I and the eight other employees in my department want to work for XYZ"), please tell the Candidate to encourage the other employees to contact the [XYZ.com] website, the Staffing Center or the HR Department separately. XYZ does not intend to "raid" the employees of its competitors; thus, do not represent that XYZ will issue offers to entire teams, groups, or departments.
7. If you interview a Candidate for a position at XYZ, do not discuss other Candidates with him/her, or ask him/her to comment on the strengths and weaknesses of other Candidates. Further, do not attempt to learn the compensation of other individuals through a Candidate, and do not inquire as to whether the Candidate has peers who are dissatisfied with their compensation.
8. Asking a Candidate about his/her own compensation is acceptable.
9. Asking about a Candidate's general employment experiences, such as whether the Candidate has dealt with a type of product, is acceptable so long as you do not try to elicit specific details. Avoid asking about the customers or business practices of a Candidate's current or former

employer, or in any way encourage a Candidate to disclose confidential or proprietary information belonging to another company.

10. If a Candidate obviously does reveal confidential information about his/her current employer to you (e.g., "I am leaving because my supervisor at XYZ Co. has told me that XYZ plans to stop researching HIV testing devices in two months and I am interested in continuing my work with HIV testing devices"), do not pass the information on to other XYZ employees. You may proceed with the interview, but explain to the Candidate that you cannot discuss such confidential information with him/her.
11. Focus your discussion on the positive attributes of XYZ. Any statements regarding a Candidate's current or former employer should be positive or neutral. Avoid negative statements or rumors regarding another company, no matter the source.
12. When offered, sign-on bonuses or other incentives should not be limited to Candidates from a particular company.
13. Beware of recruiting a concentration of Candidates from a particular team or business unit at a particular company. Where more than one individual has been recruited from a particular team or unit, check with the Law Department before recruiting any more Candidates from that team or unit.
14. Please impress upon the Candidate the need to keep discussions regarding his/her candidacy at XYZ confidential.

II. SPECIFIC INFORMATION REGARDING CANDIDATES. Please maintain the following information for Candidates who are formally interviewed:

1. Candidate's name.
2. Source of Candidate's contact with XYZ.
3. Date of first contact.
4. Background information, such as Candidate's current employer, prior employers, education and training, experience, pay level, and resume.
5. Whether the Candidate has a contract with a current employer and, if so, whether the Candidate has a copy of the contract to provide to

XYZ. Note that many Candidates do not think of countersigned offer letters or other letter agreements as contracts, so be sure to ask specifically about those. If the Candidate has only recently accepted his/her current position, ask for the same information concerning his/her immediately prior employer.

6. Whether Candidate has received an additional employment contract in connection with the acquisition of his/her employer by another company.

III. CONFIDENTIAL/PROPRIETARY INFORMATION BELONGING TO A FORMER EMPLOYER. Please follow these guidelines while at XYZ:

1. Please be careful not to encourage Candidates or associates to use or disclose any confidential and/or proprietary information acquired during employment with a prior employer. Confidential and/or proprietary information is that which is not generally known in the industry or readily accessible to the public and is valuable and secret enough to afford your prior employer with an actual or competitive economic advantage over others. If you are not sure whether something is confidential, contact the Law Department, who will provide additional assistance.
2. If a new hire retained copies of any files, correspondence, documents, drawings, specifications, computer printouts, disks, or other writings that relate to or reflect any confidential and/or proprietary information of his/her former employer, regardless of who prepared such documents, upon the termination of employment with this employer, the associate must return these documents to his/her former employer immediately. Do not, under any circumstances, show such documents to any XYZ employees or use such documents in work for XYZ.
3. Do not specifically request that a fellow XYZ employee refer other Candidates employed by a specific former employer to XYZ. Instead, limit such inquiries to general questions as to whether they know of other potential candidates for employment.



**706. EVERYTHING YOU NEED TO KNOW ABOUT NONCOMPETITION AGREEMENTS
HIRING A COMPETITOR'S EMPLOYEES**

Patti E. Russell
Becton Dickinson and Company



HIRING A COMPETITOR'S EMPLOYEES

- Principles
- Recruiting Guidelines and Precautions
- Candidate Contracts and Obligations
- Customers
- Design Appropriate Safeguards
- Put the Risk in Perspective



PRINCIPLES

- No simple rule
 - General rule that you cannot hire with a non-compete and can without **doesn't work.**
- Instead, ask three questions:
 - What will employee be called upon to do?
 - Will those activities place former employer's trade secrets at risk?
 - And if so, can meaningful precautions to reduce risk be developed and implemented?



Principles (cont'd)

- Goal is to avoid acquiring another's trade secrets through improper means
 - Success in hiring but failure to keep free of another's secrets may be a ticking time bomb
 - Economic Espionage Act
 - Intentionally acquiring another's secrets through former employee could lead to criminal penalties



Recruiting Guidelines and Precautions

How to reduce risk in hiring while preventing former employers from overreaching?

- Regardless of whether candidate has non-compete agreement:
 - Employee cannot use or disclose former employer's trade secrets; and
 - New employer cannot use employee as conduit to gain the benefit of the trade secrets



Recruiting

- Ideal candidate may appear to be person with equivalent job for competitor –
 - Can lead to inference that seeking secrets
 - **But not always off limits if:**
 - ⊗ Not the sole or primary focus of efforts
 - ⊗ Target work experience rather than company
 - e.g., “seeking prior experience with semiconductors”
 - ⊗ Follow appropriate recruiting guidelines
 - See Sample Guidelines in materials



Recruiting

- During interview process -
 - Find out areas of work that may raise concerns
 - ⊗ e.g., working on active bids; new technology
 - ⊗ Consider whether certain activities will be off limits
 - or whether there is irreconcilable conflict between current job and new position
 - Consider issues *before* hiring when they are easier to assess and address



CONTRACTS AND OBLIGATIONS

- Candidate may have agreements with former employers
 - Employment, confidentiality, non-compete
 - Ask applicant to provide copies before offer
- Enforceability of non-compete
 - Check state law, term, scope, geographics
 - Install, document and enforce appropriate safeguards



OBLIGATIONS

- Take seriously obligation not to use or disclose former employer's trade secrets – *too close an overlap in jobs may pose unlawful risk to secrets*
- **Factors to consider:**
 - Nature of business
 - Degree of competition
 - Nature of jobs: non-competitive job may be OK
 - Time sensitivity of employee's knowledge
 - Depth of knowledge of secrets



Obligations

- **Factors to consider** (cont'd)
 - Discretion in new position to develop plans
 - Prior efforts by new employer to achieve related results
 - Working with other former employees of same company
 - History of dishonest behavior
 - Counsel candidate to be honest with employer and not request access to confidential documents just prior to departure
 - Could be used to argue intent to misappropriate



CUSTOMERS

- States/Courts vary widely on customer relationships
 - Some enforce non-solicitation only to protect trade secrets; others to protect goodwill
- Analyze nature of customers and relationships
- Counsel employee not to reveal non-public plans
- Be cautious about obtaining customer leads
 - If not readily ascertainable, NOT from prior employer
- If know how former employer intends to win specific customer business, may be subject to “inevitability” injunction prohibiting work on certain proposals or bids



DESIGN APPROPRIATE SAFEGUARDS

- Assess risks and design, implement and enforce effective safeguards
 - Written caution **not to disclose or use** secrets
 - Some activities may need to be off limits
 - Counsel new employee in writing to bring nothing from former employer
 - If former employer complains, take concerns seriously and respond appropriately



Put Risk in Perspective

- **Never say never**
 - Fact that employee could pose a risk to former employer's trade secrets does NOT mean cannot work elsewhere
 - Even with a non-compete, very difficult for former employer to get injunction absolutely prohibiting competitive employment
- **Follow the "golden rule"**
 - Always be vigilant in protecting against receipt or use of another company's secrets
 - Follow guidelines and take former employer's concerns seriously