

ERIE, REMEDIES, AND TRADE SECRETS

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I. Introduction

At “*Erie at Eighty: Choice of Law Across the Disciplines*,”¹ I learned a lot from my colleagues on the intellectual property law panel: Joe Miller, Sharon Sandeen, and Shubha Ghosh. I also learned a lot from Florida State University Professor Michael Morley. Professor Morley argued quite vociferously that federal courts have wrongly been applying federal rules in deciding whether to grant injunctions for state law claims in diversity cases. This has some fascinating implications for intellectual property law and particularly trade secret law.

Professor Morley’s new article on the subject of *Erie* and equity, entitled *Beyond the Elements: Erie and the Standards for Preliminary and Permanent Injunctions*, will be published along with the other conference papers in the *Akron Law Review*. But understanding the arguments Professor Morley makes in this new piece—and the implications for trade secret law—requires first returning to his foundational article on the *Erie* decision and its impact on the federal equity power.²

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1. This article was written following the *Erie at Eighty: Choice of Law Across the Disciplines* conference, hosted by the University of Akron School of Law Center for Constitutional Law and the *Akron Law Review*, held on Friday, September 14, 2018 at the University of Akron School of Law.

2. Michael Morley, *The Federal Equity Power*, 59 B. C. L. REV. 217 (2018).

SYMPOSIUM, *ERIE AT EIGHTY: CHOICE OF LAW ACROSS THE DISCIPLINES*

II. THE *ERIE* DOCTRINE'S IMPACT ON EQUITABLE REMEDIES

The *Erie* doctrine interprets the Rules of Decision Act as requiring federal courts to (like the Act says) apply “[t]he laws of the several states . . . as rules of decision in civil actions in the courts of the United States, in cases where they apply” unless “the Constitution or treaties of the United States or Acts of Congress otherwise require or provide.”³ Importantly, *Erie* held, this mandate includes state statutes as well as state court holdings on common law issues not covered by statutes, such as the standard of care that applies in a tort claim.⁴

The upshot of the *Erie* doctrine is that when state law claims enter federal courts in diversity cases, these issues must be addressed by looking to the law of the forum state, including decisions of state courts, and in some cases even by predicting how the state’s highest court would rule.⁵ A principal reason *Erie* held that this must be so is the fear that savvy lawyers would engage in forum-shopping—seeking better rules in federal court than they could get at the state level and vice versa.⁶ The Court was also motivated by broader concerns about federalism. The Court’s decision effectively created a new limit on federal courts’, and potentially also Congress’s, ability to make common law concerning issues covered only by state law.⁷

Professor Morley’s article demonstrates that there is, and has always been, intense uncertainty regarding the *Erie* doctrine’s effects on “equitable” issues, such as the granting of injunctive remedies or equitable tolling of statutes of limitations. To understand this claim, an exceedingly brief history of the “equity” power is necessary, which I draw directly from Morley’s much more eloquent and comprehensive paper.

U.S. courts’ equity powers evolved from their early origins in England, where equity was seen “as a natural outgrowth of the King’s

3. 28 U.S.C.A. § 1652 (West 1948).

4. See *Erie R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938) (stating that “[e]xcept in matters governed by the Federal Constitution or by acts of Congress, the law to be applied in any case is the law of the state. And whether the law of the state shall be declared by its Legislature in a statute or by its highest court in a decision is not a matter of federal concern. There is no federal general common law.”).

5. Allan Erbsen, *Erie’s Four Functions: Reframing Choice of Law in Federal Courts*, 89 NOTRE DAME L. REV. 579, 649 (2013) (describing *Erie*’s mandate that federal courts ascertain the content of state law by predicting how the state’s highest court would answer a question).

6. *Erie*, 304 U.S. at 74-78.

7. *Id.* at 78 (stating that “Congress has no power to declare substantive rules of common law applicable in a state whether they be local in their nature or ‘general,’ be they commercial law or a part of the law of torts.”).

inherent power and duty to do justice.”⁸ Over time, judges in England and later in the U.S. court system were seen as being endowed with equity powers as a way “to correct inevitable defects in the law, thereby better enforcing natural justice.”⁹ After the founding, U.S. federal courts dealt with various types of equitable issues, most crucially for Morley’s purposes, equitable remedies like permanent and preliminary injunctions.¹⁰ Despite the eventual merger of courts of law and courts of equity, prior to *Erie* “federal courts treated equity as an independent body of law they were required to apply, typically regardless of state statutes or state court rulings to the contrary.”¹¹ In particular, “[u]niform, federally established equitable standards governed all aspects of injunctive relief in both federal question and diversity cases, including whether such relief was available in a particular case, “ as well as the form injunctive relief would take if granted.¹² Even after *Erie* was decided in 1938, upending federal courts’ ability to apply their own rules in state law cases that entered federal courts through diversity jurisdiction, the Supreme Court nonetheless “refused to apply *Erie* to equitable remedies in federal court.”¹³ In *Guaranty Trust v. York*, 326 U.S. 99 (1945), the very case in which the Supreme Court announced the famously rigid “outcome determinativeness” test for deciding what constitutes substantive versus procedural law, the Court stated that federal courts would still retain their equity power and could still apply their own equitable principles with respect to remedial issues.¹⁴ The Court famously went on to hold that state law governed the issue in the not-merely-remedial statute of limitations. The state statute of limitations was not “of ‘a mere remedial character,’” so the federal court was not free to disregard it.¹⁵

But in the course of the opinion the Court created an important carve-out for equitable remedial issues, writing that;

State law cannot define the remedies which a federal court must give simply because a federal court in diversity jurisdiction is available as an alternative tribunal to the State’s courts. Contrariwise, a federal court

8. Morley, *supra* note 2, at 225.

9. *Id.* at 227 (discussing Thomas Aquinas’ early views on equity).

10. *Id.* at 231-232.

11. *Id.* at 232.

12. *Id.* at 238.

13. *Id.* at 243.

14. Morley, *supra* note 2, at 248-249 (discussing *Guaranty Trust*, 326 U.S. 99 (1945)).

15. *Guaranty Trust*, 326 U.S. at 108.

may afford an equitable remedy for a substantive right recognized by a State even though a State court cannot give it.¹⁶

In practice, this carve-out, which is still in force today, means federal courts may apply federal standards rather than state standards for granting injunctions—“the most commonly sought equitable remedy.”¹⁷ As an initial matter, Federal Rule of Civil Procedure 65 governs injunctions.¹⁸ But its contents are minimal and hardly encompassing of what federal courts do when they issue injunctions. As Morley explains, Rule 65 “sets forth the process for obtaining temporary restraining orders (‘TROs’) and preliminary injunctions, as well as a few additional rules governing all forms of injunctive relief (including permanent injunctions).”¹⁹ However, Rule 65 “does not provide any substantive standards for courts to apply in awarding such relief[.]”²⁰ Rule 65 “does not actually identify the circumstances under which a court should issue a TRO, preliminary injunction, or permanent injunction, apart from the requirement of ‘immediate and irreparable injury’ for TROs.”²¹

Instead, federal courts have created federal standards for issuing injunctions, usually in the form of factor-based tests. These standards can only be realistically described as, well, federal common law. The Supreme Court most recently affirmed these standards in the *eBay* case of patent law fame. Under *eBay Inc. v. MercExchange L.L.C.*, to obtain a permanent injunction, including in patent cases;

[The] test requires a plaintiff to demonstrate: (1) it has suffered an irreparable injury; (2) remedies available at law [such as monetary damages] are inadequate to redress that injury; (3) that considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.²²

As Morley observes, the Court itself claimed this standard stemmed from traditional equitable principles, rather than Rule 65 alone.

Professor Morley thinks this carve-out for equitable remedial issues is wrong and a flagrant violation of the *Erie* doctrine. Obviously, *eBay* itself was not an *Erie* violation. *eBay* was, after all, a patent case.

16. *Id.* at 106.

17. Morley, *supra* note 2, at 252.

18. *See* FED. R. CIV. P. 65.

19. Morley, *supra* note 2, at 252.

20. *Id.*

21. *Id.* at 253 (internal citations omitted).

22. *eBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006),

However, Morley's thesis is that courts cannot, under *Erie*, apply the federal factor-test crafted in *eBay* and cases leading up to it in state law cases coming up in diversity. Rather, he argues;

When a claim arises under a state statute or state common law, that state's body of remedial law—including its equitable principles—should determine the available remedies. The court should treat the requirements for equitable relief the same as it does the elements of the underlying cause of action. There is no freestanding body of general or federal equitable principles with the force of law that a court is required to apply.²³

Morley gives two reasons for this conclusion. First, these issues are typically quite outcome determinative, even under the laxer outcome determinativeness standard developed since *Guaranty Trust*.²⁴ Second, at a conceptual level, equitable remedies are no less substantive than a state statute or a state common law rule laying out, for instance, the tort law standard of care. "Courts have recognized other types of remedies as substantive, and there is no reason equitable remedies should be treated categorically differently."²⁵ Thus, under the *Erie* doctrine, "state law . . . should govern equitable remedial issues in federal diversity cases . . ."²⁶

We might think that Morley's thesis is not highly impactful for one important reason: the factor tests that state courts use in granting injunctions are not likely to materially differ from the federal ones. Thus, the application of federal or state injunction standards would not actually be outcome determinative. The federal *eBay* test and its kin would get you to the same place as, for instance, Pennsylvania courts' similar tests. So, forum-shopping and other *Erie* ills would not be of concern.

However, Professor Morley has a ready response that I find compelling. In his new article, forthcoming in the *Akron Law Review*, he argues that it is not just the factor-test itself, but the state court case law applying the factors that is likely to differ in the particular issues considered under each factor; the weight given to each, and ultimately the outcome.²⁷ Each element of the test, in a sense, is just a proxy for the body of law interpreting and applying that element. So, for instance, what

23. Morley, *supra* note 2, at 275.

24. See *Hanna v. Plumer*, 380 U.S. 460 (1965).

25. Morley, *supra* note 2, at 259.

26. *Id.*

27. Michael Morley, *Beyond The Elements: Erie and the Standards for Preliminary and Permanent Injunctions*, 52 AKRON L. REV. 455 (2019) (stating that ". . . Even when federal and state standards involve facially identical elements, federal and state courts often interpret and apply them differently based on completely distinct bodies of precedent that can lead to different outcomes.").

constitutes “irreparable injury” or the “public interest” are not answerable without reference to an underlying body of law. Therefore, when state law issues enter federal court through diversity jurisdiction, the injunction standards, as well as the underlying law, should be state law.

III. TRADE SECRET LAW IMPLICATIONS

Morley’s thesis has some very interesting implications for intellectual property law, particularly trade secret law. Prior to federalization on May 11, 2016, when plaintiffs could only bring state civil trade secret claims, federal courts in diversity cases naturally applied state law to decide the substance of those trade secret claims. This is, of course, required by the *Erie* doctrine. But when it came to determining the injunctive remedy, i.e., “equitable considerations,” it was much less clear which law courts were applying.

To give one example, in *SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244 (3d Cir. 1985) the third circuit reviewed the lower court’s grant of a preliminary injunction in a trade secret misappropriation case involving former employees who allegedly used proprietary know-how relating to plaintiff’s materials handling system in a competing company. The third circuit ultimately overruled the district court in part, and narrowed the injunction to make it less vague and restrictive with respect to what the former employees could and could not do in their competing businesses.²⁸

The third circuit wrote (and this is pretty standard) that, “[i]n exercising pendent jurisdiction over trade secrets claims, federal courts must apply state law. In this case there is no dispute that under the choice of law principles of the forum state, Pennsylvania, it is the trade secrets law of Pennsylvania that we are to apply.”²⁹

The court then went on to apply Pennsylvania trade secret law to adjudicate the substance of the trade secret claim (existence of trade secrets and misappropriation).³⁰ With respect to the standard for granting a preliminary injunction, however, the third circuit *appeared* to apply federal standards grounded in Fed. R. Civ. P. 65, but this is not entirely clear. Citing a prior third circuit case (applying Pennsylvania trade secret law), the court laid out the test for deciding whether to issue a preliminary injunction, stating: “a district court must weigh, in addition to the movant’s probability of success on the merits: (1) the threat of irreparable

28. *SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244, 1255 (3d Cir. 1985).

29. *Id.* (citing, e.g., *Rohm and Haas Co. v. Adco Chemical Co.*, 689 F.2d 424, 428-29 (3d Cir. 1982)).

30. *Id.* at 1255-64.

harm to the movant if relief is denied; (2) the balance of harms; and (3) the public interest.”³¹ The third circuit went on, though, to cite to Pennsylvania state case law regarding the scope of an injunction once a “court of equity” has determined to grant one.³²

So, was the court applying federal law, state law, or a hybrid of both? The answer seems exceptionally important from the *Erie* perspective because, as anyone who has read even a small number of trade secret cases knows, courts can come to very different outcomes in trade secret cases depending on what state law they are applying. This is true even when courts are applying very similar-looking factor tests to decide on the appropriateness and nature of the remedy. Thus, if a federal court were free to use its own rules in deciding whether to issue an injunction in a state law trade secret case, the court would quite potentially reach a distinct outcome than a state court sitting in the forum. (*Erie* was not just a decision about forum-shopping, but that was a very big part of it.³³)

To see this forum-shopping risk, compare the following two cases in which federal courts applied California and Pennsylvania law, respectively. Both cases exhibit once again this strange “hybrid” procedure: the courts are ostensibly applying federal remedial law, yet also citing to state remedial law in the course of making the ultimate determination. The comparison also illustrates quite effectively that the issue is highly outcome determinative.³⁴

In *Bimbo Bakeries USA, Inc. v. Botticella*, the third circuit affirmed the lower court’s decision to grant plaintiff Bimbo Bakeries’ request for a preliminary injunction preventing former Bimbo employee, Chris Botticella, from working for its competitor Hostess Bakery.³⁵ Citing to third circuit case law applying Pennsylvania trade secret law, the court stated, as is standard, that the party seeking a preliminary injunction must satisfy four factors, “(1) a likelihood of success on the merits; (2) he or she will suffer irreparable harm if the injunction is denied; (3) granting

31. *Id.* at 1263 (citing *Continental Group v. Amoco Chemicals Corp.*, 614 F.2d 351, 356-57 (3d Cir. 1980) (citing Fed. R. Civ. P. 65)).

32. *Id.* at 1265 (stating “[i]t is clear that under Pennsylvania law a court of equity may fashion a trade secret injunction that is broad enough to ensure that the information is protected.”) (citing *Air Products and Chemicals v. Johnson*, 296 Pa. Super. 405, 420-21 (1982)).

33. *Hanna v. Plumer*, 380 U.S. 460, 467 (1965) (stating that “[t]he [*Erie*] decision was also in part a reaction to the practice of ‘forum-shopping. . . .’”).

34. Elizabeth Rowe and Sharon Sandeen’s phenomenal trade secret case book starts precisely with these two cases in order to demonstrate how differently trade secret cases can come out in different states. See ELIZABETH ROWE & SHARON SANDEEN, CASES AND MATERIALS ON TRADE SECRET LAW 2-12 (2012).

35. *Bimbo Bakeries USA, Inc. v. Botticella*, 613 F.3d 102 (3d Cir. 2010).

relief will not result in even greater harm to the nonmoving party; and (4) the public interest favors such relief.”³⁶

Yet, in the course of applying the four factors, the third circuit and district court before it cited to significant Pennsylvania state case law. For example, in weighing the public interest, the court cited major Pennsylvania cases to conclude that “there is a public interest in employers being free to hire whom they please and in employees being free to work for whom they please. Of these latter two interests, Pennsylvania courts consider the right of the employee to be the more significant.”³⁷ Even more significantly, the third circuit and the district court before it also cited to Pennsylvania state case law on the appropriateness of so-called “inevitable disclosure” injunctions.³⁸ (An inevitable disclosure injunction is a controversial remedy in which courts prevent an employee from working for a new employer after concluding the employee will “inevitably” disclose her former employer’s trade secrets, despite her best efforts not to do so.³⁹)

It is not difficult to diagnose what the third circuit was doing here: effectively, an “*Erie* prediction.” The court was assessing the Pennsylvania state case law in order to determine what Pennsylvania courts would do in this situation. In the end, the third circuit decided a Pennsylvania court would have granted the requested preliminary injunction; probably in large part due to Pennsylvania state courts’ amenability to inevitable disclosure injunctions that prevent employees in possession of sensitive information from working for a direct competitor.

Is this state substantive law, federal procedural law under Fed. R. Civ. P. 65, open-ended federal common law, or some combination of the above? Again, unfortunately, I do not think it is entirely clear. It is certainly not as clear as we would wish given the stakes, because the principles the courts are applying in these situations are exceedingly outcome determinative.

36. *Id.* at 109 (citing *Miller v. Mitchell*, 598 F.3d 139, 147 (3d Cir. 2010)).

37. *Id.* at 119 (citing *Renee Beauty Salons, Inc. v. Blose-Venable*, 438 Pa. Super. 601, 652 (1995) (“[T]he right of a business person to be protected against unfair competition stemming from the usurpation of his or her trade secrets must be balanced against the right of an individual to the unhampered pursuit of the occupations and livelihoods for which he or she is best suited.”) (internal citation omitted); see *Wexler v. Greenberg*, 399 Pa. 569 (1960) (noting a societal interest in employee mobility)).

38. See, e.g., *Bimbo*, 613 F.3d. at 110 (“In its opinion granting the preliminary injunction, the District Court stated: When analyzing threatened misappropriation of trade secrets, Pennsylvania courts apply the ‘inevitable disclosure doctrine.’”); *Id.* at 111 (“The leading Pennsylvania decision to discuss the inevitability of trade secret disclosure is *Air Products & Chemicals, Inc. v. Johnson*.”) (citing *Air Products*, 296 Pa. Super. at 442).

39. *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1266 (7th Cir. 1995).

We can instantly recognize this by looking at *Clorox Co. v. S.C. Johnson & Son, Inc.*, a case with very similar facts to *Bimbo*: departing employee, downloaded files, leaving to work for a direct competitor.⁴⁰ But in *Clorox*, a Wisconsin federal court applying California law reached a different outcome.⁴¹ Like the *Bimbo* court, the *Clorox* court generally applied the Federal Rules of Civil Procedure, including Rule 65's guidance on injunctions. In deciding whether to grant an injunction, the court ostensibly applied seventh circuit law—i.e. the Wisconsin federal court's own remedial law—which uses a similar (not identical) factor test for determining whether to grant a preliminary injunction as the third circuit. The following excerpt from the court's opinion is helpful for understanding the court's process:

The court now turns to [plaintiff] Clorox's motion for a TRO and preliminary injunction. Clorox seeks an order against [defendant] SCJ and anyone acting in concert with it, prohibiting them from using or disclosing Clorox's confidential proprietary and/or trade secrets and prohibiting [defendant] SCJ from employing, contracting or affiliating with [plaintiff's former employee] Bailey. Before the court will issue preliminary injunctive relief, the party seeking such relief must first demonstrate the following: (1) a reasonable likelihood of success on the merits of the party's claim; (2) that the party had no adequate remedy at law; and (3) that the party will suffer irreparable harm in the absence of injunctive relief. If the moving party fails to demonstrate any of these threshold elements, the court must deny preliminary injunctive relief. If, however, the moving party meets the first three threshold elements, the court must then weigh the irreparable harm the moving party would suffer in the absence of an injunction against the irreparable harm the nonmoving party would suffer if the injunction were issued. The court must also consider the effects of granting or denying preliminary injunctive relief on any nonparties.⁴²

Yet after this lengthy recitation of the seventh circuit's federal law standard for granting a preliminary injunction, the district court went on to deny the injunction by citing to California state case law on the appropriateness of inevitable disclosure injunctions—i.e. by citing to the law of the state from which the court was drawing the substantive trade

40. 627 F. Supp. 2d 954 (E.D. Wis. 2009).

41. *Id.* at 968 (deciding California law governs the case).

42. *Id.* at 970 (citing *Anderson v. U.S.F. Logistics (IMC), Inc.*, 274 F.3d 470, 474–75 (7th Cir. 2001); *Girl Scouts of Manitou Council, Inc. v. Girl Scouts of U.S., Inc.*, 549 F.3d 1079, 1086 (7th Cir. 2008)).

secret law governing the case.⁴³ To me, this suggests the Wisconsin federal district court in *Clorox*, like the third circuit in *Bimbo*, conceived of much of the remedial law governing the ultimate granting or denying of an injunction as state law, and not conceptually distinct from the state substantive law of trade secrets governing the action.

To summarize, Morley's overall thesis is that federal courts violate *Erie* when they use a federal equity power to craft injunctions given how outcome-determinative this remedial calculus can be. The trade secret experience suggests that Morley is right on at least two fronts. First, how courts apply the factors for issuing injunctions—the content of each factor with respect to issues like irreparable injury and balancing of interests, as well as the weight given to each factor—is outcome-determinative. A California court and a Pennsylvania court can reach distinct outcomes on similar facts even when ostensibly applying similar factor-tests and similar substantive law, due to their differing remedial approaches. Second, not relying on state law with respect to injunctions in state trade secret cases that enter federal court would violate *Erie*. Fed. R. Civ. P. 65 does not provide sufficient guidance to encompass the situation. Given that application of the factors clearly affects outcome, federal courts would have to apply state law in issuing injunctions.

However, the trade secret experience leaves open a crucial question: are the courts actually violating *Erie* in practice? The way I read the opinions above, it isn't entirely clear they are. The cases allow for several possibilities. One possibility is that the courts are applying federal equity law in full violation of *Erie*. Another possibility is that these courts are applying federal equity law in *partial* violation of *Erie*—they use federal opinions for the question of which factors to use in granting injunctions, and then cite to state law in the application, following *Erie*'s mandate to predict how state courts would apply the factors to reach an outcome.

Yet a final possibility is that these federal courts are in fact applying state law all the way through and merely providing pro forma citations to Rule 65 and other federal circuit courts. Morley recognizes this

43. *Id* at 968–69 (“... California courts have rejected the so-called inevitable disclosure theory, whereby a plaintiff may prove threatened misappropriation by showing that a former employee’s new employment will inevitably lead that employee to rely on the plaintiff’s trade secrets. Therefore, a plaintiff must do more than show the defendant possesses trade secrets to prove a claim of threatened misappropriation of trade secrets.”) (citing, e.g., *Cent. Valley Gen. Hosp. v. Smith*, 162 Cal. App. 4th 501 (2008); *Whyte v. Schlage Lock Co.*, 101 Cal. App. 4th 1443 (2002) (“holding that the ‘inevitable disclosure doctrine cannot be used as a substitute for proving actual or threatened misappropriation of trade secrets’”)).

possibility.⁴⁴ But he dismisses this hybrid approach as an incoherent way to conduct the analysis.⁴⁵ I suppose, though, that it could be rationalized as an ad hoc division between procedure, on the one hand, and substance, on the other. For example, in the *Bimbo* case, the federal procedure is to assess, among other things, whether “the public interest favors such relief.”⁴⁶ Meanwhile, the state of Pennsylvania’s substantive law of trade secrets proclaims Pennsylvania courts’ views on the extent to which free employee mobility serves the public interest, and the proper balance between employee mobility and protection for employers’ trade secrets.⁴⁷

IV. THANK YOU, CONGRESS, FOR SOLVING OUR PROBLEM?

Regardless of whether federal courts were violating *Erie* prior to May 11, 2016, the bigger question for trade secret law is what will happen now that we have a federal claim for trade secret misappropriation under the Defend Trade Secrets Act (DTSA). The DTSA does not preempt state claims or make jurisdiction exclusive to federal courts, which means that both state and federal claims can be brought in either state or federal court.⁴⁸ Will federal courts hearing DTSA and state law claims apply federal standards or continue to cite to state case law with respect to appropriateness of injunctive remedies?

We might think the answer now would be the former, at least when plaintiffs bring only federal claims or both federal and state law claims. But Professor Sandeen, along with Professor Christopher Seaman, suggest the latter. They argue that drawing on state case law is particularly appropriate given the language of the DTSA with respect to granting injunctions. As Sandeen and Seaman explain:

... Congress amended early drafts of the DTSA to include a provision that makes it clear that state law principles must be applied with respect

44. “Some circuits have instead reached the unusual compromise conclusion that, although federal law governs the elements for injunctive relief, federal courts must apply the state-law definitions of each element.” Morley, *supra* note 27, at 472 (citing Heil Trailer Int’l Co. v. Kula, 542 F. App’x 329, 335 (5th Cir. 2013); JAK Prods., Inc. v. Wiza, 986 F.2d 1080, 1084 (7th Cir. 1993); Safety-Kleen Sys. v. Hennkens, 301 F.3d 931, 935 (8th Cir. 2002).)

45. “Because each element of a doctrinal test is linked to a specific body of law interpreting or applying it, it is incoherent for courts to apply federal standards for injunctive relief but interpret them based on state law. Although a federal court applying federal standards for injunctive relief must consider state-law issues to determine a plaintiff’s ‘likelihood of success on the merits’ of a state-law claim or the availability of alternate state-law remedies, none of the other federal factors for injunctive relief similarly point to or incorporate state law.” *Id.* at 32, n. 194.

46. *Bimbo*, 613 F.3d at 109.

47. *Id.* at 119 (citing Pennsylvania state case law).

48. *See* 18 U.S.C. § 1838.

to the issuance of an injunction, thereby explicitly incorporating by reference a body of law that will continue to evolve at the state level. Specifically, this provision [codified in 18 U.S.C. § 1836(b)(3)(A)] states that a court may not grant an injunction that: “(I) prevent[s] 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; or (II) otherwise conflict[s] with an applicable State law prohibiting restraints on the practice of a lawful profession, trade, or business.”⁴⁹

Based on this statutory language, Sandeen and Seaman conclude that for DTSA claims, “federal courts are likely to limit the scope of injunctive relief against employees, particularly in cases where there is no evidence of actual or threatened disclosure or use of misappropriated trade secrets.”⁵⁰

I agree. This federal statutory language goes beyond the limited instructions in Fed. R. Civ. P. 65. It is an express direction from Congress: not to grant an injunction that prevents a defendant from entering an employment relationship (i.e. that tells defendant she cannot work at her desired place of employment under any circumstances, ever); not to place conditions on that relationship based “merely on the information the person knows” (i.e. based on a pure “inevitable disclosure” theory, without evidence of a threat to misappropriate); and not to ignore any state law prohibitions on employment restraints, like state bans on non-competition agreements.⁵¹ With these instructions, Congress has at least recognized the *Erie* problem inherent in using federal standards when granting injunctions in trade secret cases. In response, Congress has effectively told federal courts (and state courts hearing DTSA claims) to use state law when issuing injunctions that affect an employment relationship—at least with respect to federal claims under the DTSA. This is similar to other scenarios where Congress has deferred to state law and state courts in lieu of forcing courts to address tricky *Erie* problems.⁵²

49. Sharon K. Sandeen & Christopher B. Seaman, *Toward a Federal Jurisprudence of Trade Secret Law*, 32 BERKELEY TECH. L.J. 829, 900 (2017) (quoting 18 U.S.C. § 1836(b)(3)(A) (2016)).

50. *Id.*

51. See Viva R. Moffat, *Human Capital as Intellectual Property? Non-Competes and the Limits of IP Protection*, 50 AKRON L. REV. 903 (2016).

52. Another example that comes to mind, courtesy of Megan LaBelle’s excellent article, *An Erie Approach to Privilege Doctrine*, 10 ConLawNOW 205 (2019), this issue, is Federal Rule of Evidence 501: The common law—as interpreted by United States courts in the light of reason and experience—governs a claim of privilege unless any of the following provides otherwise: the United States Constitution; a federal statute; or rules prescribed by the Supreme Court. *But in a civil case*,

On the other hand, ironically, Congress's mandate in Section 1836(b)(3)(A) to apply state law when issuing injunctions against employees technically only applies to DTSA claims. So, it may not solve the ambiguity discussed above in cases like *Bimbo* and *Clorox*, where plain vanilla state trade secret claims enter federal court. In such cases, courts will presumably continue to recite federal factor tests and cite to Fed. R. of Civ. P. 65, while also drawing on state law in the application. Is this still an *Erie* violation now that Congress has passed a federal trade secret statute? I leave that question for another day.⁵³

V. CONCLUSION

The indeterminacy here really brings home one of the major themes of the conference and of the intellectual property law portion of the conference in particular. While we tend to talk about state and federal law in the IP space like they are two separate bodies of law, they are in reality often intertwined—to use Professor Sandeen's phrase, "marbled." The courts are not always applying one or the other. Trade secret and trademark law⁵⁴ are the most robust illustrations of this "fundamentally interstitial lawmaking."⁵⁵ But even in patent law, Professor Ghosh's paper shows, the courts may draw on state court decisions regarding contract issues, from ownership rules to the "on sale" bar.⁵⁶ Copyright, too, exhibits this back-and-forth character. Indeed, as Professor Miller

state law governs privilege regarding a claim or defense for which state law supplies the rule of decision. FED. R. EVID. 501 (emphasis added).

53. Sandeen and Seaman have hinted that *Erie* mandates that federal courts look to state law in interpreting gaps in the language of the *DTSA*, so presumably they, like Morley, would see this as an *Erie* violation. Sandeen & Seaman, *supra* note 51, at 873 ("... although a federal statute is involved, the principles enunciated in *Erie* mean that the process must still pay due respect to state law.").

54. As Professor Sandeen's new paper shows, the first post-*Erie* case to address an *Erie* question was a trademark case. Sharon K. Sandeen, *The Erie/Sears/Compco Squeeze: Erie's Effects on Unfair Competition and Trade Secret Law*, 52 AKRON L. REV. 421, 429 (2019) (citing *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111 (1938)); see also Tobias B. Wolff, *Choice of Law and Jurisdictional Policy in the Federal Courts*, 165 U. PA. L. REV. 1847, 1857 (2017).

55. See Ernest A. Young, *A General Defense of Erie Railroad Co. v. Tompkins*, 10 J. L. ECON. & POL'Y 17, 19 (2013) (stating that "[b]y holding that state law ordinarily governs any question not touched by positive federal enactments, *Erie* articulated a view of federal law as fundamentally interstitial in its nature; where Congress has not acted, the laws of the several states remain 'the great and immensely valuable reservoirs of underlying law in the United States, available for the resolution of controversies for which otherwise there would be no law.'" (quoting Henry M. Hart, Jr., *The Relations Between State and Federal Law*, 54 COLUM. L. REV. 489, 492 (1954))).

56. Shubha Ghosh, *Jurisdiction Stripping Of The Federal Circuit?* 52 AKRON L. REV. 389 (2019); Shubha Ghosh, *Short-Circuiting Contract Law: The Federal Circuit's Contract Law Jurisprudence and IP Federalism*, 96 J. PAT. & TRADEMARK OFF. SOC'Y 536 (2014).

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observes, the first case to recognize that there is no such thing as federal common law without a word from Congress was not *Erie*—it was a copyright case.⁵⁷

57. Joseph Scott Miller, *Brandeis's IP Federalism: Thought on Erie at Eighty*, 52 AKRON L. REV. 365, 372 (2019) (citing *Wheaton v. Peters*,)