

## **Third Circuit Clarifies Availability of Preliminary Injunction to Prevent Former Employee from Working for a Competitor**

**July 30, 2010**

On July 27, in *Bimbo Bakeries USA, Inc. v. Botticella*,<sup>1</sup> the Third Circuit Court of Appeals affirmed the issuance of a preliminary injunction preventing the former Bimbo Bakeries vice president of operations for California, Chris Botticella, from beginning work in a similar position for Hostess Brands, Inc. (Hostess) in the Eastern United States.

Employers in Pennsylvania should take note of this decision, because it makes clear that such preliminary injunctions are available under Pennsylvania law where, under the totality of the circumstances, it is established that the new employment is “likely” to result in the disclosure of protected information. The court rejected use of the inevitable disclosure doctrine that would preclude an injunction unless it would be “virtually impossible” for an individual to avoid disclosure of trade secrets in his new position. Mr. Botticella had argued for this higher standard of proof.

Under Pennsylvania law, a court may enjoin the actual or threatened misappropriation of a trade secret. The district court in *Botticella* held that Bimbo Bakeries<sup>1</sup> had presented evidence at the preliminary injunction hearing establishing the following:

- (a) That Botticella’s anticipated position at Hostess was substantially similar to the position he held at Bimbo Bakeries
- (b) That Botticella was privy to Bimbo Bakeries’ short- and long-term strategic marketing, production, and distribution plans
- (c) That Botticella was one of a handful of people with full knowledge of how to replicate many of Bimbo Bakeries’ products, including Thomas’ English Muffins, famous for their distinctive “nooks and crannies”
- (d) That Botticella had engaged in suspicious behavior, such as copying confidential computer files immediately prior to his departure from Bimbo Bakeries, and continuing to attend meetings at Bimbo Bakeries where confidential business plans were discussed after he

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<sup>1</sup> No. 10-1510, U.S. Court of Appeals, Third Circuit.

accepted Hostess's offer of employment, but before disclosing his intentions to Bimbo Bakeries

Based on this evidence, the district court granted the requested injunctive relief, which included a prohibition against Botticella working at Hostess.

Botticella argued, based on nonbinding dictum from a 2007 Third Circuit case, *Victaulic Co. v. Tieman*,<sup>2</sup> that an injunction preventing employment should only be issued where it would be "virtually impossible" for the individual to work for the new employer without using or disclosing protected trade secrets, regardless of whether there was evidence of direct theft or other physical misappropriation of trade secrets. The Third Circuit panel disagreed, and held that the district court had applied the correct standard, notwithstanding the dicta to the contrary.

Employers that recruit employees directly from competitors should take special note of this decision, and consider its implications for the hiring process. For example, if a prospective employee has access to sensitive information in his or her current position, it may be advisable for the prospective employer to insist that the prospective employee give notice to his or her current employer immediately upon acceptance of the offer with the prospective employer, to avoid the appearance of impropriety.

Similarly, prospective employers could consider requiring prospective employees to sign a statement specifying that they will not use confidential information acquired in their previous employment once employed by the prospective employer, and agreeing that they have not taken any documents containing confidential information from their current employers.

If you have any questions or would like further information regarding any of the issues discussed in this LawFlash, please contact any of the following Morgan Lewis attorneys:

**Philadelphia**

Michael L. Banks	215.963.5387	<a href="mailto:mbanks@morganlewis.com">mbanks@morganlewis.com</a>
William J. Delany	215.963.5066	<a href="mailto:wdelany@morganlewis.com">wdelany@morganlewis.com</a>
Larry L. Turner	215.963.5017	<a href="mailto:lturner@morganlewis.com">lturner@morganlewis.com</a>

**Princeton**

Richard G. Rosenblatt	609.919.6609	<a href="mailto:rosenblatt@morganlewis.com">rosenblatt@morganlewis.com</a>
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<sup>2</sup> 499 F.3d 227 (3d Cir. 2007).

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