

REASONS FOR COUNSELING REASONABLENESS IN DEPLOYING  
COVENANTS-NOT-TO-COMPETE IN TECHNOLOGY FIRMS

by  
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*Some states ban the enforcement of employee covenants-not-to-compete (“non-competes”) but most enforce them to the extent they are reasonable. As such, “reasonableness” provides the touchstone for enforceability analysis. The academic literature commenting on the reasonableness of non-competes is large and growing. Scholars usually direct their comments to judges, legislators, and other scholars. Rarely do they address practicing lawyers. That omission is particularly unfortunate because practicing lawyers, more than judges, legislators, and scholars, can affect whether non-competes work both fairly and effectively. This Article fills that void by providing reasons, directed to practicing lawyers, for deploying non-competes in a reasonable manner. It also addresses how the American Bar Association’s Model Rules of Professional Conduct and norms of lawyering that flow from them often set a tone for client counseling that makes it difficult to counsel clients toward reasonableness. The Article argues that failing to effectively counsel clients toward reasonableness, however, may actually amount to professional irresponsibility rather than the professional responsibility that the Model Rules seek to promote.*

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\* © 2015 Robert W. Gomulkiewicz. UW Foundation Professor of Law; Founding Director, Intellectual Property Law & Policy Graduate Program, University of Washington School of Law. For useful comments and conversations, I thank: Tom Andrews, Karen Boxx, Jennifer Fan, Anita Krug, and Hugh Spitzer. For excellent research assistance I thank Ashleigh Rhodes.

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## I. INTRODUCTION

Large and small technology-producing firms rely on trade secret law to protect key business assets. Trade secrets come in many forms, including software, databases, processes, formulas, know how, and customer information.<sup>1</sup> Trade secret protection is both strong and weak. A trade secret's strength lies in its duration—trade secrets can last forever. A trade secret's weakness lies in its fragility—trade secret protection ends once the information becomes public.<sup>2</sup> That fragility is particularly acute for the multitude of trade secrets that must be shared within or outside a firm to realize their full potential value.<sup>3</sup> In other words, sharing information is often necessary but risky—sharing information risks disclosure to the public, which jeopardizes protection.

Technology firms rely on lawyers to help them protect their trade secrets. Lawyers recommend a variety of legal tools to protect trade secrets, including tools that allow firms to share secrets as safely as possible. One of those tools is an employee covenant-not-to-compete (“non-compete”). Non-competes help safeguard the confidential information a firm shares with its employees. However, non-competes are controversial because they restrain an employee's fundamental freedom to earn a living. Some states ban the enforcement of non-competes,<sup>4</sup> but most enforce them to the extent they are reasonable.<sup>5</sup> As such, “reasonableness” provides the touchstone for enforceability analysis.

The academic literature commenting on the reasonableness of non-competes is large and growing.<sup>6</sup> Scholars usually direct their comments to

<sup>1</sup> See UNIF. TRADE SECRETS ACT § 1(4) (UNIF. LAW COMM'N 1985) (defining a “trade secret”).

<sup>2</sup> *Id.* (information that is “generally known” or “readily ascertainable” is not a trade secret).

<sup>3</sup> See ROBERT W. GOMULKIEWICZ, XUAN-THAO NGUYEN & DANIELLE M. CONWAY, LICENSING INTELLECTUAL PROPERTY 295–97 (3d ed. 2014).

<sup>4</sup> California is the best-known example, as discussed in an influential article by Professor Ronald Gilson. See Ronald J. Gilson, *The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenants Not to Compete*, 74 N.Y.U. L. REV. 575, 578 (1999).

<sup>5</sup> See Harlan M. Blake, *Employee Agreements Not to Compete*, 73 HARV. L. REV. 625, 650–52 (1960) (describing the historical evolution of the rule-of-reason approach in the United States).

<sup>6</sup> See Robert W. Gomulkiewicz, *Leaky Covenants-Not-to-Compete as the Legal Infrastructure for Innovation*, 49 U.C. DAVIS L. REV. 251, 253 n.2 (2015) [hereinafter

judges, legislators, and other scholars.<sup>7</sup> Rarely do they address the practicing lawyers who counsel technology firms.<sup>8</sup> That omission is particularly unfortunate because practicing lawyers, more than judges, legislators, and scholars, can affect whether non-competes work both fairly and effectively. This Article fills that void by providing reasons, directed to practicing lawyers, for deploying non-competes in a reasonable manner. In particular, it addresses: counseling clients through the process of choosing whether to use non-competes; drafting non-compete documents; and advising clients about whether to send a demand letter or to litigate a non-compete case. It considers how the Model Rules of Professional Conduct, and norms of lawyering that flow from them, often set a tone for client counseling that makes it difficult to counsel clients toward reasonableness. The Article argues that failing to effectively counsel clients toward “reasonableness” when choosing, creating, and enforcing non-competes may actually amount to professional irresponsibility rather than the professional responsibility that the Model Rules seek to promote.

This Article is not just about best practices for good lawyering, although that alone is a worthy topic. The use of non-competes can negatively influence so-called “knowledge spillovers” in the technology sector, which affects the pace and magnitude of innovation.<sup>9</sup> Thus, a lawyer’s role in counseling clients about the reasonableness of non-competes does not just touch on professional responsibility—it impacts innovation policy.

Following this Introduction, Part II briefly lays out the law of non-

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“Leaky Covenants”] (noting that several hundred law review articles have been written about non-competes).

<sup>7</sup> See, e.g., Rachel Arnow-Richman, *Cubewrap Contracts and Worker Mobility: The Dilution of Employee Bargaining Power via Standard Form Noncompetes*, 2006 MICH. ST. L. REV. 963 (2006); Charles Tait Graves, *Analyzing the Non-Competition Covenant as a Category of Intellectual Property Regulation*, 3 HASTINGS SCI. & TECH. L.J. 69 (2011); Kate O’Neill, *‘Should I Stay or Should I Go?’—Covenants Not to Compete in a Down Economy: A Proposal for Better Advocacy and Better Judicial Opinions*, 6 HASTINGS BUS. L.J. 83 (2010).

<sup>8</sup> Several useful general-purpose practitioner-oriented books exist, of course, including BRIAN M. MALMBERG, *COVENANTS NOT TO COMPETE: A STATE-BY-STATE SURVEY* (10th ed. 2015). Occasionally a work will touch on counseling clients toward reasonableness. See David J. Carr, *Confidentiality and Non-Compete Protections: Ten Traps to Avoid in Drafting Enforceable Confidentiality, Non-Compete, and Non-Solicitation Agreements*, in *BUSINESS PLANNING: CLOSELY HELD ENTERPRISES* 275–84 (Dwight Drake ed., 2006).

<sup>9</sup> See ORLY LOBEL, *TALENT WANTS TO BE FREE* 118–19 (2013); On Amir & Orly Lobel, *Driving Performance: A Growth Theory of Noncompete Law*, 16 STAN. TECH. L. REV. 833, 856–61 (2013); T. Leigh Anenson, *The Role of Equity in Employment Noncompetition Cases*, 42 AM. BUS. L.J. 1, 54–55 (2005). But see Grant R. Garber, Comment, *Noncompete Clauses: Employee Mobility, Innovation Ecosystems, and Multinational R&D Offshoring*, 28 BERKELEY TECH. L.J. 1079, 1082 (2013) (arguing that non-enforcement of non-competes “may be detrimental to the development of innovation ecosystems in emerging markets”).

competes and how “reasonableness” is the key inquiry in most non-compete cases. Part III examines the Model Rules of Professional Conduct and norms of professional conduct that bear on the lawyer’s roles in deploying non-competes. Part IV explores the lawyer’s role in choosing to use and in drafting non-competes, sending demand letters to departing employees, and advising a client about whether or not to litigate. Part IV also addresses whether the Model Rules are congruent with counseling clients toward reasonableness. Finally, Part V proposes ways that law schools can better equip their students to advise clients about the reasonableness of deploying non-competes.

## II. THE LAW OF NON-COMPETES AND ITS RULE OF REASON

The modern rationale for enforcing non-competes focuses<sup>10</sup> on the protection of intellectual property, especially trade secrets. A “trade secret” is any information that derives economic value from being kept secret.<sup>11</sup> In order to keep information secret, the trade secret holder must deploy “reasonable” measures to safeguard the secrecy of the information.<sup>12</sup>

Firms often use a non-disclosure agreement (“NDA”) as a measure to protect their trade secrets. An NDA uses contract law as the mechanism to maintain secrecy. The NDA may be a stand-alone document or part of a multi-faceted contract document or set of documents such as a joint venture agreement. In an NDA, a person<sup>13</sup> promises not to use or disclose another person’s trade secret information outside the scope of the parties’ agreed relationship. In the employer–employee context, an NDA supplements the common law duty of loyalty.<sup>14</sup>

Like NDAs, non-competes<sup>15</sup> can serve as a contractual measure to

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<sup>10</sup> Non-competes can protect an employer’s investment in training its employees. United States law, however, does not enforce non-competes simply to protect an employer’s investment in human capital because this interest is not compelling enough to outweigh the employee’s fundamental freedom to earn a living. *See* Blake, *supra* note 5, at 670–71.

<sup>11</sup> UNIF. TRADE SECRETS ACT § 1(4). Most states have adopted a version of the Uniform Trade Secrets Act (UTSA). *See* UNIFORM LAW COMMISSION, TRADE SECRETS ACT, [http://uniformlaws.org/Act.aspx?title=Trade Secrets Act](http://uniformlaws.org/Act.aspx?title=Trade%20Secrets%20Act) (showing that all states, except Massachusetts, New York, and North Carolina, have adopted the UTSA as of March 2016).

<sup>12</sup> UNIF. TRADE SECRETS ACT § 1(4).

<sup>13</sup> The “person” can be an employee, independent contractor, partner, or customer.

<sup>14</sup> *See* RESTATEMENT (SECOND) OF AGENCY §§ 387, 393 (AM. LAW INST. 1957); William Lynch Schaller, *Jumping Ship: Legal Issues Relating to Employee Mobility in High Technology Industries*, 17 LAB. LAW. 25, 31 (2001).

<sup>15</sup> For an example of a non-compete provision, see *Google, Inc. v. Microsoft Corp.*, 415 F. Supp. 2d 1018, 1019 (N.D. Cal. 2005) (“While employed at MICROSOFT and

protect trade secrets.<sup>16</sup> Indeed, non-competes have certain advantages over NDAs.<sup>17</sup> For one thing, it is often difficult to separate an employee's general skill and knowledge from an employer's trade secret. In light of this ambiguity, a non-compete provides an insurance policy for the employer against the disclosure of intermingled trade secret information. For another thing, often it is easier to prove that a departing employee has violated a non-compete than to prove misappropriation of trade secrets. As articulated by the court in *Comprehensive Technologies International v. Software Artisans*, “[w]hen an employee has access to confidential and trade secret information crucial to the success of the employer's business, the employer has a strong interest in enforcing a covenant not to compete because other legal remedies often prove inadequate.”<sup>18</sup>

Some states ban the enforcement of non-competes,<sup>19</sup> but most states enforce them to the extent they are reasonable.<sup>20</sup> The Restatement (Second) of Contracts outlines the rule of reason approach (although each state reflects the Restatement's formulation differently). In considering whether to enforce a non-compete, a court must consider: (1) whether the restraint is greater than needed to protect the employer's legitimate interest; (2) the hardship to the employee; and (3) the likely injury to the public.<sup>21</sup> In particular, a non-compete must be reasonable as to its dura-

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for a period of one year thereafter, I will not (a) accept employment or engage in activities competitive with products, services, or projects (including actual or demonstrably anticipated research or development) on which I worked or about which I learned confidential or proprietary information or trade secrets while employed at MICROSOFT.”).

<sup>16</sup> End-user licenses are another common contractual measure used to protect trade secrets. See Robert W. Gomulkiewicz, *Fostering the Business of Innovation: The Untold Story of Bowers v. Baystate Technologies*, 7 WASH. J.L. TECH. & ARTS 445, 451 (2012).

<sup>17</sup> See William Lynch Schaller, *Secrets of the Trade: Tactical and Legal Considerations from the Trade Secret Plaintiff's Perspective*, 29 REV. LITIG. 729, 764 (2010).

<sup>18</sup> *Comprehensive Techs. Int'l, Inc. v. Software Artisans, Inc.*, 3 F.3d 730, 739 (4th Cir. 1993); see also James Pooley, *Update on Trade Secret Law*, INTELL. PROP. COUNS., Oct. 2008, at 5, <http://media.mofo.com/docs/pdf/081009Pooley.pdf> (stating covenants restricting an employee's right to compete following termination are one way to avoid the cost and unpredictability of trade secret litigation).

<sup>19</sup> California and a few other states have statutes that prohibit the enforcement of non-competes. See CAL. BUS. & PROF. CODE § 16600 (West 2015); HAW. REV. STAT. § 480-4 (2015) (prohibiting non-competes for employees of technology businesses); MONT. CODE ANN. § 28-2-703 (2013); N.D. CENT. CODE § 9-08-06 (2015); OKLA. STAT. tit. 15, § 217 (2015); see also GA. CONST. art. III, § 6, para. V(c)(3) (prohibiting the general assembly from authorizing contracts that inhibit competition).

<sup>20</sup> Some states (about 30%) address non-competes by statute and the others through common law. See generally MALSBERGER, *supra* note 8; 1 KURT H. DECKER, COVENANTS NOT TO COMPETE (2d ed. 1993 & Supp. 2004).

<sup>21</sup> RESTATEMENT (SECOND) OF CONTRACTS § 188 (1981); see also *Amazon.com, Inc. v. Powers*, No. C12-1911RAJ, 2012 WL 6726538, at \*8-11 (W.D. Wash. Dec. 27, 2012) (denying Amazon's request for preliminary injunctive relief based on three-

tion, geographic reach, and the scope of work covered.<sup>22</sup> Moreover, many states require additional consideration for non-competes entered into once the employment relationship has begun.<sup>23</sup>

The reasonableness of a non-compete gets tested when an employer sues a departing employee. Some courts will reform an unreasonable non-compete contract (although they are not obligated to do so).<sup>24</sup> Some courts do this by excising unreasonable terms and then enforcing reasonable terms that remain, provided the covenant remains grammatically coherent.<sup>25</sup> This is known as the “blue pencil” approach.<sup>26</sup> Other courts enforce the non-compete only to the extent it is reasonable. This is known as the “partial enforcement” approach.<sup>27</sup> However, other courts refuse to enforce non-competes to any extent if the court finds that the non-compete is unreasonable.<sup>28</sup>

We know, however, that most non-competes do not get tested in litigation.<sup>29</sup> Thus, normally and day to day, the reasonableness of non-competes rests in the hands of the technology firms that deploy non-competes and, most importantly, the lawyers that represent them. In particular, lawyers advise clients on whether to adopt non-competes, draft non-compete documents, send demand letters, and counsel clients on whether to bring a lawsuit. I now turn to these roles of a lawyer and the rules of professional conduct that guide the lawyer’s conduct as he or she addresses the reasonableness of non-competes.

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factor test).

<sup>22</sup> See *Natural Organics, Inc. v. Kirkendall*, 860 N.Y.S.2d 142, 143 (App. Div. 2008).

<sup>23</sup> See, e.g., *Stevenson v. Parsons*, 384 S.E.2d 291, 292–93 (N.C. Ct. App. 1989); *George W. Kistler, Inc. v. O’Brien*, 347 A.2d 311, 316 (Pa. 1975); *Labriola v. Pollard Grp., Inc.*, 100 P.3d 791, 794 (Wash. 2004).

<sup>24</sup> See generally Griffin Toronjo Pivateau, *Putting the Blue Pencil Down: An Argument for Specificity in Noncompete Agreements*, 86 NEB. L. REV. 672 (2008) (describing the various permutations of the blue pencil doctrine and outlining the arguments for and against each approach). Statutes in Florida, Michigan, and Texas specifically allow a court to reform a non-compete. See FLA. STAT. ANN. § 542.335(1) (West 2015); MICH. COMP. LAWS SERV. § 445.774a (LexisNexis 2015); TEX. BUS. & COM. CODE ANN. § 15.51(c) (West 2014).

<sup>25</sup> Wisconsin, by contrast, voids any overbroad non-compete. See WIS. STAT. § 103.465 (2004).

<sup>26</sup> See *Ferrofluidics Corp. v. Advanced Vacuum Components, Inc.*, 968 F.2d 1463, 1469 (1st Cir. 1992) (describing the “blue pencil” approach).

<sup>27</sup> *Id.* (describing the “partial enforcement” approach).

<sup>28</sup> See WIS. STAT. § 103.465 (2015).

<sup>29</sup> See *Leaky Covenants*, *supra* note 6, at 280–86; see also Dinah Bass et al., *Facebook Nabs Microsoft Researchers for Virtual-Reality Team*, SEATTLE TIMES (Nov. 5, 2015), <http://www.seattletimes.com/business/facebook-nabs-microsoft-researchers-for-virtual-reality-team/> (“Facebook has started a new research team to work on areas like virtual-reality and augmented-reality content-creation, and raided Microsoft for its first three hires.”).

## III. RELEVANT RULES AND NORMS OF LAWYERING

A lawyer's conduct is governed by the American Bar Association's Model Rules of Professional Conduct ("Model Rules") as adopted in the state where the lawyer is licensed to practice law.<sup>30</sup> Rule 1.3 on "Diligence" provides an important grounding principle for all client representation. Rule 1.3 says that a "lawyer shall act with reasonable diligence and promptness in representing a client."<sup>31</sup> This common sense principle is paired with Comment 1,<sup>32</sup> which states that a lawyer must act "with dedication and commitment" to the client's interest and "with zeal"<sup>33</sup> in advocacy upon the client's behalf.<sup>34</sup> Comment 1 suggests that lawyers should use "whatever lawful and ethical measures [that are] required to vindicate a client's cause or endeavor."<sup>35</sup> Comment 1 does try to temper the lawyer's zeal by noting that the lawyer's duty "*does not require* the use of offensive tactics *or preclude* the treating of all persons involved in the legal process with courtesy and respect."<sup>36</sup> Unfortunately, Comment 1's admonition to act "with zeal" in advocacy<sup>37</sup> seems to have translated into a mandate to act aggressively in all aspects<sup>38</sup> of client representation.<sup>39</sup> In

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<sup>30</sup> The American Bar Association adopted the Model Rules in 1983. Prior to the Model Rules, lawyers were guided by the 1908 Canons of Professional Ethics and the 1969 Rules of Professional Conduct. *Model Rules of Professional Conduct: About the Model Rules*, AM. BAR ASS'N, [http://www.americanbar.org/groups/professional\\_responsibility/publications/model\\_rules\\_of\\_professional\\_conduct.html](http://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct.html).

<sup>31</sup> MODEL RULES OF PROF'L CONDUCT r. 1.3 (AM. BAR ASS'N 2015).

<sup>32</sup> The Comments accompanying each Rule explain and illustrate the Rule. "The Comments are intended as guides to interpretation, but the text of each Rule is authoritative." MODEL RULES OF PROF'L CONDUCT pmb. ¶ 21.

<sup>33</sup> In some states, such as Washington, the word "diligence" replaces the word "zeal." *See, e.g.*, WASH. R. PROF'L CONDUCT r. 1.3 (2015).

<sup>34</sup> MODEL RULES OF PROF'L CONDUCT r. 1.3 cmt. 1.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* (emphasis added). However, this wording reads more like a backhanded normalization of offensive tactics and disrespect than a limit on overly aggressive conduct.

<sup>37</sup> Lawyers often see themselves as an "advocate" in drafting contract documents and other non-litigation contexts, which feeds into the hired gun mentality. However, in the context of the Model Rules, "advocate" refers to the lawyer's role in litigation as well as in legislative and administrative proceedings. *See* MODEL RULES OF PROF'L CONDUCT r. 3.1–3.9; *see also id.* pmb. ¶ 2 ("As advocate, a lawyer zealously asserts the client's position under the rules of the adversary system.").

<sup>38</sup> Commentators point out that the zealous lawyer makes more sense in the litigation context where judges, juries, and opposing counsel play their respective roles, so that at the end of the day, fairness can prevail. *See* Murray L. Schwartz, *The Professionalism and Accountability of Lawyers*, 66 CALIF. L. REV. 669, 677 (1978).

<sup>39</sup> *See* Gerard J. Clark, *Monopoly Power in the Defense of the Status Quo: A Critique of the ABA's Role in the Regulation of the American Legal Profession*, 45 SUFFOLK U. L. REV. 1009, 1024–27 (2012); Craig Enoch, *Incivility in the Legal System? Maybe It's the Rules*, 47 SMU L. REV. 199, 199–203 (1994); John A. Humbach, *Shifting Paradigms of Lawyer*

the public's mind,<sup>40</sup> a lawyer is a ruthless hired gun—a style of lawyering that commentators call “Rambo” or “Godfather” lawyering<sup>41</sup> and that I call “hardball” lawyering.

Hardball lawyering is not necessarily the approach urged by the Model Rules, taken as a whole, especially outside the litigation context.<sup>42</sup> For instance, Rule 2.1 on the role of a lawyer as an “Advisor” states that in rendering advice a lawyer may refer not only to law but also to “other considerations such as moral, economic, social, and political factors” that may be relevant.<sup>43</sup> Comment 2 elaborates that: “It is proper for a lawyer to refer to relevant moral and ethical considerations in giving advice” which may “decisively influence how the law will be applied.”<sup>44</sup> Moreover, Comment 1 to Rule 2.1 encourages a lawyer to present alternatives to a client even if it involves unpleasant facts or approaches that the client “may be disinclined to confront.”<sup>45</sup>

Aside from Rule 2.1, a few other Model Rules can come into play, particularly as matters inch closer to potential litigation. For example, Rule 3.1 prohibits lawyers from asserting frivolous claims.<sup>46</sup> Rule 4.1 prohibits attorneys from making “a false statement of material fact or law to a third person.”<sup>47</sup> And, finally, Rule 4.4 states that a lawyer “shall not use

*Honesty*, 76 TENN. L. REV. 993, 996 (2009) (“Rules such as these seem to assume, if not actually prescribe, a vision of the adversary system in which lawyers work single-mindedly on behalf of their clients—a system in which lawyers can be trusted to pursue their clients’ interest vigorously but cannot, and should not, be trusted in much else.”); W. Bradley Wendel, *Professionalism as Interpretation*, 99 NW. U. L. REV. 1167, 1181–82 (2005) (“The most shopworn aphorism in legal ethics is that a lawyer’s primary duty is to ‘represent a client zealously within the bounds of the law.’”); *see also* Lisa A. Dolak, *Ethics in Intellectual Property Negotiations: Issues and Illustrations*, 40 AIPLA Q.J. 197 (2012) (describing professional ethics issues in intellectual property transactions generally).

<sup>40</sup> See Geoffrey Miller, *From Club to Market: The Evolving Role of the Business Lawyer*, 74 FORDHAM L. REV. 1105, 1110–11 (2005) (describing perceptions of lawyers).

<sup>41</sup> See Enoch, *supra* note 39, at 203–04 (describing “Rambo” lawyering); THOMAS L. SHAFFER & ROBERT F. COCHRAN, JR., *LAWYERS, CLIENTS, AND MORAL RESPONSIBILITY* 7 (2d ed. 2009) (characterizing certain aggressive lawyering as “the Godfather Lawyer”).

<sup>42</sup> At the same time, the Model Rules may not provide adequate guidance either. See ROBERT M. HARDAWAY, *PREVENTIVE LAW: MATERIALS ON A NON ADVERSARIAL LEGAL PROCESS* 49 (1997) (“Ethical questions unique to [the attorney’s role as advisor or counselor] are either not addressed at all or are analyzed within a framework of adversarial assumptions that distort what should be a clear sense of institutional place.”).

<sup>43</sup> MODEL RULES OF PROF’L CONDUCT r. 2.1 (AM. BAR ASS’N 2015).

<sup>44</sup> *Id.* r. 2.1 cmt. 2.

<sup>45</sup> *Id.* r. 2.1 cmt. 1.

<sup>46</sup> *Id.* r. 3.1. A comment states that an action is not frivolous “even though the lawyer believes the client’s position ultimately will not prevail.” *Id.* r. 3.1 cmt. 2.

<sup>47</sup> *Id.* r. 4.1.



means that have no substantial purpose other than to embarrass, delay, or burden a third person.”<sup>48</sup>

Despite the moderate tone set by Rules 2.1, 3.1, 4.1, and 4.4, lawyers often seem inclined to make aggressive zeal their guiding principle. Perhaps this inclination can be attributed to legitimate concerns that failing to act zealously will subject the lawyer to disciplinary action by the bar or a malpractice claim by a former client. Or perhaps the zeal can be attributed to the bad incentives created when too many lawyers are trying to earn a living in a shrinking market.<sup>49</sup> Or perhaps the lawyer is just acting the way he or she has been trained to act in law school.<sup>50</sup> Or perhaps the lawyer is simply playing the role that the general public (and thus the typical client) expects.<sup>51</sup> Whatever the reason or reasons, lawyers who counsel clients about deploying non-competes often come at the issues with a hardball lawyer mentality which either shortchanges counseling toward reasonableness or counsels clients away from it. Part IV explores how this approach may be professional irresponsibility rather than the professional responsibility that the Model Rules seek to promote.<sup>52</sup>

#### IV. THE LAWYER’S ROLES AND COUNSELING TOWARD REASONABLENESS

##### A. *Client Counseling: Non-competes and the Arriving Employee*

###### 1. *Using Non-competes: When Is It Reasonable to Use Them and for Whom?*

How does a start-up technology business decide to adopt non-competes for its employees?<sup>53</sup> First and foremost, technology entrepreneurs focus on developing their technology and, after that, how to get their technology into the marketplace. Given this focus, new entrepreneurs seldom think about non-competes as they begin to assemble their team of employees. However, a number of things can put the possibility

<sup>48</sup> *Id.* r. 4.4.

<sup>49</sup> See David Barnhizer, *Abandoning an “Unethical” System of Legal Ethics*, 2012 MICH. ST. L. REV. 347, 381–86.

<sup>50</sup> “It is our sense that lawyers who pursue client victory, regardless of its effects on others . . . get their start in law school.” SHAFER & COCHRAN, *supra* note 41, at 12.

<sup>51</sup> See Carrie Menkel-Meadow, *The Lawyer as Problem Solver and Third-Party Neutral: Creativity and Non-Partisanship in Lawyering*, 72 TEMP. L. REV. 785, 785–87, 791 (1999) (describing the cultural stereotype of lawyers).

<sup>52</sup> See MODEL RULES OF PROF’L CONDUCT pmbl. (AM. BAR ASS’N 2015) (outlining the professional responsibilities of a lawyer). See *generally* Wendel, *supra* note 39, at 1199 (arguing that “professionalism,” properly understood, should restrain overly aggressive lawyering, particularly outside the litigation context where the procedural constraints on partisanship are absent).

<sup>53</sup> Established firms should continue to evaluate their use of non-competes as discussed *infra* but changing entrenched practices likely will be difficult without a compelling reason.

of deploying non-competes onto the entrepreneur's radar screen.

First, the entrepreneur may seek venture funding, putting him or her into contact with sophisticated investors. As the potential investors perform their due diligence they will undoubtedly ask about the start-up firm's intellectual property assets and, in the process, will inquire about whether the firm uses non-competes to protect its trade secrets. Second, the entrepreneur may hire a lawyer to work on a run of the mill project such as a lease or sales contract, or he or she may ask a lawyer to file a patent or draft a software license. In the course of this representation, the client and lawyer will often discuss the client's broader legal needs and, for technology businesses, the use of non-competes is a topic that lawyers often raise. Third, and most alarmingly, the entrepreneur may wake up one day to learn that a key employee departed to join an established competitor or start a competing firm.

Once the subject of non-competes comes to the entrepreneur's attention, he or she may ask a lawyer for advice about adopting non-competes. When that happens, how should a lawyer counsel an emerging technology firm? The hardball lawyer has a clear and ready answer to that question: *of course* the firm should use non-competes for all its employees. Is that advice wise? Is that approach always in the client's best interest?

The decision about whether or not (and if so, how) to adopt non-competes requires careful consideration. Technology firms prize their star employees because they give the firm its creative, comparative advantage. If a technology firm cannot continually recruit creative workers, then it will not succeed; without the steady influx of innovative workers, a technology start-up will not grow or thrive.<sup>54</sup> Thus, a wise lawyer will counsel his or her client to consider the impact of deploying non-competes on the recruitment of creative workers. The lawyer should ask: Will deploying non-competes signal a "yuck" factor that scares away superstar creators and inventors who want to work in an inviting environment that values them?<sup>55</sup> In some industries the value of using a non-compete to bolster an NDA and other trade secret protection measures is less than the potential negative impact on recruitment of creative workers.<sup>56</sup> Often lawyers who regularly represent technology start-ups are

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<sup>54</sup> See Matt Day, *Microsoft Employees—Past and Present—Look Back over the Years*, SEATTLE TIMES (May 24, 2015), <http://www.seattletimes.com/business/microsoft/microsoft-employees-past-and-present-look-back-over-the-years/> (asking Microsoft Senior Vice President Yusuf Mehdi about where Microsoft will be in another 40 years and quoting him as saying that success hinges on making Microsoft an appealing stop for technology's most talented minds: "It isn't the technology. It isn't the products or services. They all come and go. What won't change is we'll still get the best and brightest. If we keep that, this place is going to be around for a long, long time.").

<sup>55</sup> See *Leaky Covenants*, *supra* note 6, at 283–84.

<sup>56</sup> To put it another way, sometimes an NDA and other trade secret protection measures are sufficient "belts" without adding the "suspenders" of a non-compete.

more in tune with the cultural norms and impacts of using certain legal approaches (such as non-competes) than their inexperienced clients.<sup>57</sup> Moreover, even if a firm decides to adopt non-competes for certain workers, such as its sales force or its CEO,<sup>58</sup> it should consider carefully whether to forego using them for its inventors and creators.

Less obvious but equally important is counseling clients at established firms about non-competes after a firm has already adopted and been using them. Rarely will an established firm think to reconsider an established legal practice and even if it does, moving the practice in a seemingly less conservative direction would seem out of the question. But, in fact, it is wise for technology firms to regularly review<sup>59</sup> the approach taken in their standard forms<sup>60</sup> because standard forms should not be stagnant forms.<sup>61</sup> This approach is part of the “continuous improvement” that many firms strive for in all aspects of their business.<sup>62</sup>

The bottom line is that a lawyer should not presume that non-competes are in the best interest of a client in the technology-producing sector, regardless of the size of the client. Perhaps using non-competes will not affect hiring creative workers; but, if it does, then hardball lawyering will blow up in the client’s face. The professionally responsible lawyer, therefore, leads the client through a nuanced discussion of the pros and cons of adopting non-competes instead of assuming an air of inevitability that “*of course every business should use non-competes.*”<sup>63</sup> Indeed the Model Rules encourage lawyers to include economic and social considerations in their counsel and to address hard choices with their clients.<sup>64</sup>

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<sup>57</sup> See Abraham J.B. Cable, *Startup Lawyers at the Outskirts*, 50 WILLAMETTE L. REV. 163, 164–65 (2014) (describing the work of startup lawyers in Silicon Valley who are intimately familiar with the business culture).

<sup>58</sup> See Norman D. Bishara, Kenneth J. Martin & Randall S. Thomas, *An Empirical Analysis of Noncompetition Clauses and Other Restrictive Postemployment Covenants*, 68 VAND. L. REV. 1, 3 (2015) (empirical study of the prevalence of non-competes for CEOs of 500 large companies).

<sup>59</sup> See generally Louis M. Brown, *The Practice of Preventive Law*, J. AM. JUDICATURE SOC., Aug. 1951 (proposing a proactive approach to lawyering).

<sup>60</sup> See generally William T. Vukowich, *Lawyers and the Standard Form Contract System: A Model Rule that Should Have Been*, 6 GEO. J. LEGAL ETHICS 799 (1993) (describing the lawyer’s duties in drafting standard form contracts).

<sup>61</sup> See Robert W. Gomulkiewicz, *Getting Serious About User-Friendly Mass Market Licensing for Software*, 12 GEO. MASON L. REV. 687, 692–705 (2004) (discussing this issue in the context of standard-form mass-market end-user software licenses).

<sup>62</sup> See Nadia Bhuiyan & Amit Baghel, *An Overview of Continuous Improvement: From the Past to the Present*, 43 MGMT. DECISION 761, 761–70 (2005).

<sup>63</sup> Some commentators express concern that the modern business of lawyering creates incentives for short-sighted approaches to lawyering. See Miller, *supra* note 40, at 1123.

<sup>64</sup> See MODEL RULES OF PROF’L CONDUCT r. 2.1 cmt. 1 (hard choices), cmt. 2

2. *Drafting a Non-compete Covenant: What Should It Say About “Reasonableness”?*

If a client decides to use non-competes, then he or she will ask a lawyer to draft the contract.<sup>65</sup> As the lawyer drafts the contract,<sup>66</sup> the lawyer must decide how to address the reasonableness of the restrictions on departing employees, especially the duration, geographic reach, and scope of work prohibited.<sup>67</sup> The hardball lawyer has a clear and ready drafting approach in mind: make the restriction as long, far-reaching, and encompassing as possible. Draft the covenant broadly, the hardball lawyer thinks, and then let a trial court “blue pencil” the wording or partially enforce the covenant. The hardball lawyer reasons that the client benefits from the chilling, or “in terrorem,” effect on departing employees.<sup>68</sup> Is that advice wise? Is that approach always in the client’s best interest?

We know that overly zealous contract drafting can backfire in many intellectual-property-related contexts. For example, the court in *Lasercomb America, Inc. v. Reynolds* held that a non-compete provision in a software license constituted copyright misuse.<sup>69</sup> As a result of this hardball lawyering, the copyright holder, Lasercomb, could not enforce its exclusive rights under the Copyright Act until the misuse was purged, despite the defendant’s purposeful unlawful activity.<sup>70</sup> The court in *United States v. Microsoft Corp.* held that certain provisions in Microsoft’s software license agreements violated anti-trust law because they helped Microsoft maintain its monopoly in Intel-based operating systems.<sup>71</sup> Microsoft repudiated these license agreements soon after the Department of Justice complained but, nonetheless, the contracts contributed to Microsoft’s entanglement in costly antitrust litigation and the court’s ruling that Mi-

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(economic and social considerations) (AM. BAR ASS’N 2015).

<sup>65</sup> Or, the entrepreneur may decide to deploy non-competes using a “standard form” found on the Internet. Every form contract takes a particular approach to legal issues, so a form’s supposed “standard-ness” is illusory and deceptive. In the case of non-compete forms, the standard approach is most likely a hardball lawyering approach.

<sup>66</sup> See generally Gregory M. Duhl, *The Ethics of Contract Drafting*, 14 LEWIS & CLARK L. REV. 989 (2010) (discussing ethical obligations in drafting contracts).

<sup>67</sup> At established businesses, this involves regularly reviewing a company’s standard non-compete forms and assessing their reasonableness. Some businesses have “knowledge management” experts that convene committees of attorneys to regularly review standard forms for conformance to best practices. Griffin Toronjo Piveteau, *Putting the Blue Pencil Down: An Argument for Specificity in Noncompete Agreements*, 86 NEB. L. REV. 672, 678 (2008). These forms may be heavily annotated to document the detailed rationale behind a particular provision.

<sup>68</sup> See Vukowich, *supra* note 60, at 827–28 (describing the hardball lawyering approach in the context of standard form contracts).

<sup>69</sup> *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 981 (4th Cir. 1990).

<sup>70</sup> *Id.* at 979.

<sup>71</sup> *United States v. Microsoft Corp.*, 253 F.3d 34, 45–46 (D.C. Cir. 2001).

crosoft violated the Sherman Act.<sup>72</sup>

Similarly, hardball contract drafting can backfire for non-competes. Courts may choose not to “blue pencil” or partially enforce an unreasonable non-compete,<sup>73</sup> and in some states, courts are not permitted to do so.<sup>74</sup> Even in states that allow their courts to reform an unreasonably drafted covenant, the client may be ordered to pay the departing employee’s attorneys’ fees because in some significant sense the employee is the “prevailing party” in the litigation.<sup>75</sup> These considerations should nudge a lawyer away from hardball contract drafting and toward reasonableness.

Contract law also contains some curbs on hardball lawyering. If a court finds that a contractual term is unconscionable then the court will not enforce that term, although unconscionability sets a relatively distant boundary for reasonableness in contract drafting (i.e., a check on extremely unreasonable terms).<sup>76</sup> Another useful curb is the canon that an ambiguous contract gets construed against the drafter.<sup>77</sup> This curb can be particularly useful in standard form cases.

Moreover, the Model Rules should push the lawyer away from hardball contract drafting and toward reasonableness. Rule 4.4 condemns practices primarily intended to intimidate a third party.<sup>78</sup> This requires the lawyer to examine the motive for and consider the likely effect of drafting a broad prohibition—if the motive or likely effect is to discourage an employee from doing work that does not actually compete or work that does not endanger trade secrets, then that drafting approach may fail to satisfy the lawyer’s duty under Rule 4.4. In other words, it is professionally problematic to draft a non-compete contract with an aim to create an unreasonable in terrorem effect on departing employees.<sup>79</sup>

Another consideration encouraging reasonableness in contract draft-

<sup>72</sup> *Id.* at 47–49.

<sup>73</sup> *See, e.g.,* Veramarck Techs., Inc. v. Bouk, 10 F. Supp. 3d 395, 407 (W.D.N.Y. 2014) (“A court should not attempt to partially enforce a non-compete provision where its infirmities are so numerous that the court would be required to rewrite the entire provision.”).

<sup>74</sup> *See, e.g.,* Poynter Invs., Inc. v. Century Builders of Piedmont, Inc., 694 S.E.2d 15, 18 (S.C. 2010) (“[I]n South Carolina, the restrictions in a non-compete clause cannot be rewritten by a court or limited by the parties’ agreement, but must stand or fall on their own terms.”); WIS. STAT. § 103.465 (2004).

<sup>75</sup> The Uniform Trade Secrets Act allows the court to award attorneys’ fees to defendants for bad faith prosecution or continuation of a trade secret case. UNIF. TRADE SECRETS ACT § 1(4) (UNIF. LAW COMM’N 1985); *see also Leaky Covenants, supra* note 6, at 298 (discussing the definition of a prevailing party in non-compete cases).

<sup>76</sup> *See* U.C.C. § 2-302 (AM. LAW INST. & UNIF. LAW COMM’N 2014).

<sup>77</sup> *See* RESTATEMENT (SECOND) OF CONTRACTS § 206 (AM. LAW INST. 1981).

<sup>78</sup> MODEL RULES OF PROF’L CONDUCT R. 4.4 (AM. BAR ASS’N 2015).

<sup>79</sup> *See* Blake, *supra* note 5, at 687–89 (discussing the importance of drafting appropriately scoped non-competes).

ing is the signaling effect<sup>80</sup> of the non-compete on prospective creative workers. Whether lawyers know it or believe it, their contracts set a tone that reflects on their client.<sup>81</sup> A hardball-style non-compete signals an unfriendly work environment, which may be unpalatable for some rising stars.<sup>82</sup> Failing to consider this issue falls short of the lawyer's duty to exercise reasonable care in pursuing the client's objectives.<sup>83</sup>

*B. Client Counseling: Non-competes and the Departing Employee*

*1. Sending Demand Letters: What's a Reasonable Approach?*

Once the lawyer finishes drafting the non-compete contract, the client-entrepreneur forgets about it and gets back to business. A short time later a key creative worker departs to join an established business or to start a new venture. Upon learning this news, the entrepreneur feels hurt and betrayed; then the entrepreneur gets mad and calls the lawyer. If this were an established firm rather than a start-up, then the firm might have exit-interview procedures in place.<sup>84</sup> In the course of the exit interview someone from the human resources department reminds the departing employee of his or her obligation not to disclose trade secrets and might reference an NDA or non-compete.<sup>85</sup> But for most small businesses, the next move is a demand letter—a letter demanding that the departing employee not work for a competitor and threatening litigation if the employee does not comply.<sup>86</sup>

Should the lawyer send a demand letter on behalf of the client? The hardball lawyer has a clear and ready answer: yes, send a strongly worded demand letter as soon as possible to the departing employee and his or her new employer threatening litigation if the employee joins the new

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<sup>80</sup> Cf. Gomulkiewicz, *supra* note 61, at 696 (discussing the signaling effect in the context of software end user license agreements).

<sup>81</sup> See Wendel, *supra* note 39, at 1179 (explaining how in small communities information about hardball practices is easy to know).

<sup>82</sup> This consideration may be particularly important for established technology firms that no longer seem cool to the best and brightest young creative workers.

<sup>83</sup> See MODEL RULES OF PROF'L CONDUCT r. 1.2(a) (AM. BAR ASS'N 2015); RESTATEMENT (THIRD) OF LAW GOVERNING LAWYERS § 50 (AM. LAW INST. 2000) (lawyer owes client the duty to exercise care in pursuing the client's lawful objectives). According to § 50's Comment d: "The client's objectives are to be defined by the client after consultation." In other words, the lawyer should not assume that the lawyer knows the client's objectives. For clients who have not deeply considered their objectives, the lawyer should counsel the client through the various legal, economic, and social factors that play into the ultimate approach taken.

<sup>84</sup> See Schaller, *supra* note 14, at 91–92 (describing exit interviews).

<sup>85</sup> See Carr, *supra* note 8, at 284–85; Schaller, *supra* note 17, at 745 (discussing exit interview process).

<sup>86</sup> See Schaller, *supra* note 17, at 844.

firm.<sup>87</sup> A hardball demand letter makes the departing employee fear working on anything remotely close to the work he or she did previously or may delay the launch of a new venture. The client's vindictive mood reinforces the hardball approach. And besides, it is not very expensive for the lawyer to prepare and send the letter (as legal fees go)—it's cheap and cathartic, the client reasons. But is the hardball approach wise and always in the client's best interest?

Several Model Rules come into play that affect the decision to send as well as the content of the demand letter. Naturally, the lawyer cannot send a fraudulent demand letter.<sup>88</sup> Under the Model Rules this includes conduct that “has a purpose to deceive.”<sup>89</sup> Rule 3.1 prohibits asserting frivolous claims.<sup>90</sup> Even though this Rule applies to situations where a formal proceeding has been launched, it should inform how lawyers approach demand letters.<sup>91</sup> “[E]ven at the demand letter stage, if an attorney writes a letter he knows to be utterly meritless, he could find that he has broken other ethics rules, such as Rule 4.1 . . . which requires truthfulness in statements to others.”<sup>92</sup> As noted above, Rule 4.4 condemns practices primarily intended to intimidate a third party.<sup>93</sup> This Rule does not prohibit demand letters, of course, but Rule 4.4 should make the lawyer pause to consider the letter's content. For instance, the demand letter should not threaten litigation for using general skills and knowledge or employment activities outside the scope of the covenant as drafted.<sup>94</sup> Finally, Rule 2.1 suggests that lawyers should counsel their clients to think rationally when the client wants to act in anger; in other words, the lawyer should serve as the voice of reason rather than placate

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<sup>87</sup> See Schaller, *supra* note 14, at 90–93 (describing demand letters).

<sup>88</sup> MODEL RULES OF PROF'L CONDUCT r. 8.4 (AM. BAR ASS'N 2015). A comment to Rule 1 specifies that fraud “does not include merely negligent misrepresentation or negligent failure to apprise another of relevant information.” *Id.* r. 1.0 cmt. 5. Some jurisdictions such as New York require scienter. NEW YORK RULES OF PROF'L CONDUCT r. 1.0 (I) (N.Y. STATE UNIFIED COURT SYSTEM 2013) (explaining that the term “fraud” or “fraudulent” “denotes conduct that is fraudulent under the substantive or procedural law of the applicable jurisdiction or has a purpose to deceive, provided that it does not include conduct that, although characterized as fraudulent by statute or administrative rule, lacks an element of scienter, deceit, intent to mislead, or knowing failure to correct misrepresentations that can be reasonably expected to induce detrimental reliance by another”).

<sup>89</sup> MODEL RULES OF PROF'L CONDUCT r. 1.0.

<sup>90</sup> *Id.* r. 3.1.

<sup>91</sup> See Jason Vogel & Jeremy A. Schachter, *How Ethical Rules Can Be Used to Address Trademark Bullying*, 103 TRADEMARK REP. 503, 515–16 (2013).

<sup>92</sup> *Id.* at 516.

<sup>93</sup> MODEL RULES OF PROF'L CONDUCT r. 4.4.

<sup>94</sup> See Schaller, *supra* note 14, at 93 (“Notice letters need to be carefully analyzed, as they can give rise to liability claims against the former employer if they overstate rights, defame the ex-employee, or otherwise make wrongful accusations.”).

an emotional, vindictive client.<sup>95</sup>

Apart from the Model Rules, other factors nudge lawyers toward counseling reasonableness for both large and small clients. One significant factor is the public relations risk. Particularly in our interconnected digital age, the recipient of a demand letter can post the letter on the Internet<sup>96</sup> and social media to shame the sender.<sup>97</sup> The harsher the letter's tone and content,<sup>98</sup> the more the sender looks like a bully, especially for a large business. Gaining a reputation as a bully creates a negative vibe that can turn off and turn away prospective creative workers who want to work in the best environment possible. Acting as a bully may also deter the departing employee from later returning to the firm, which is short-sighted because creative workers often boomerang back to a prior place of employment.<sup>99</sup>

## 2. *Considering Whether to Sue: When Is It Reasonable to Litigate?*

If the demand letter does not have the intended effect,<sup>100</sup> the jilted entrepreneur-client and the lawyer will discuss suing the departing employee for violation of the non-compete. The lawyer explains that the next logical move is to file a complaint and a motion for temporary restraining order (TRO) or preliminary injunction. Should the lawyer counsel litigation? The hardball lawyer has a clear and ready answer: yes, sue immediately and seek a TRO to stop the departing employee in his or her tracks. Is litigation wise? Is it always in the client's best interest?

As already described, the Model Rules come into play as matters move toward litigation—namely Rule 3.1, which prohibits frivolous claims, and Rule 4.1, which prohibits practices intended primarily to intimidate a third party. On top of the Model Rules, however, significant

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<sup>95</sup> See Schaller, *supra* note 17, at 739 (“Saying ‘no’ may therefore be the most prudent option . . . no matter how concerned or impassioned a company may be.”).

<sup>96</sup> For example, Katy Perry's demand letter concerning “Left Shark” got lots of play on the Internet. See Henry Hanks, *Katy Perry Sics Lawyers on Left Shark Vendor*, CNN (Feb. 5, 2015), <http://www.cnn.com/2015/02/05/entertainment/left-shark-perry-cease-desist/index.html>.

<sup>97</sup> See Vogel & Schachter, *supra* note 91, at 511–13 (describing “shaming” in the context of trademark demand letters).

<sup>98</sup> *Id.* at 512–13 (suggesting that a “soft” or “friendly” demand letter may make the recipient less inclined to make a public spectacle).

<sup>99</sup> See *Leaky Covenants*, *supra* note 6, at 283–84 (describing the boomerang effect); Wendel, *supra* note 39, at 1179 (showing the effects of a yuck factor on the boomerang effect in general terms); see also Jing Cao, *Ballmer Says “People Don’t Want to Work” at Amazon*, BLOOMBERGBUSINESS (Oct. 23, 2015), <http://www.bloomberg.com/news/articles/2015-10-23/ballmer-says-microsoft-has-advantage-over-amazon-in-hiring> (quoting former Microsoft CEO Steve Ballmer as saying that anybody who left Microsoft to go to work for Amazon will come back within a year or two because of the work environment at Amazon).

<sup>100</sup> If there is an imminent threat of trade secret disclosure, the lawyer may advise the client to skip the demand letter and move quickly to the litigation stage.



factors counsel caution. A demand letter may seem like cheap catharsis but a lawsuit is a different matter.

Lawsuits cost the client money: attorneys' fees; court reporter and expert witness fees; and court costs.<sup>101</sup> Lawsuits also tax the client's time, energy, and focus, and that of his or her employees. As the lawyer prepares the case, the client and any relevant employees (often key creative workers) meet with the lawyer to outline the key facts, discuss strategy, identify and select expert witnesses, and review pleadings and declarations. The client gathers documents and other evidence. The client may attend depositions. And this is just the start—the client can expect more of the same as the case moves from complaint and TRO hearing, to full blown discovery, motions, settlement conference, and perhaps even a trial. The prospect of incurring these costs<sup>102</sup> sobers the client and forces the client to conduct a cost-benefit analysis.<sup>103</sup> And, very often, clients conclude that it is not reasonable to pursue litigation, particularly when the trade secret risk is low.

Despite the assumption that large firms with deep pockets will readily litigate non-compete cases, that assumption may be incorrect for several reasons. First, the firm's legal department has a limited budget. The legal department must decide whether it is worth spending money on any particular non-compete case among the many that it *could* bring. The legal department must also choose whether to allocate its budget to bringing a non-compete case instead of, for example, a patent, copyright, or trademark infringement suit. Or perhaps the firm has already committed most of its budget to *defending* one or more infringement cases. Second, particularly innovative large firms (think Google or Facebook) have an especially low tolerance for distracting and draining their creative workers with the time and energy required to support litigation. More time with lawyers and on lawsuits is not, in their opinion, time well spent.

Large and small technology firms face another risk by entering into litigation: counter-litigation.<sup>104</sup> After the client initiates litigation, the de-

<sup>101</sup> See Barnhizer, *supra* note 49, at 394 (explaining that “Wars Are Costly and People Get Hurt”). Trade secret litigation also risks public disclosure of trade secrets in the course of litigation. See Schaller, *supra* note 14, at 96.

<sup>102</sup> An additional cost is the risk of disclosing trade secrets to a competitor during litigation, which is risky despite the use of a protective order. See Schaller, *supra* note 17, at 789–93.

<sup>103</sup> “Discourage litigation. Persuade your neighbors to compromise whenever you can. Point out to them how the *nominal* winner is often a *real* loser—in fees, and expenses, and waste of time. As a peace-maker the lawyer has a superior opportunity of being a good man. There will still be business enough.” ABRAHAM LINCOLN, *Fragment: Notes for a Law Lecture (1850)*, in THE COLLECTED WORKS OF ABRAHAM LINCOLN: SUPPLEMENT 1832–1865, at 18, 19 (Roy P. Basler ed., 1974).

<sup>104</sup> See *Leaky Covenants*, *supra* note 6, at 281 (describing counter-litigation risk); Schaller, *supra* note 17, at 730–39 (discussing counter-litigation risk in trade-secret cases); 1 BUSINESS TORTS IN MASSACHUSETTS § 7.8.4 (Laurence H. Reece III ed.,

parting employee can counterclaim. The employee might seek to recover unpaid overtime wages or, for a large technology firm, the employee might assert an unfair competition claim. Most significantly, these counterclaims persist even if the client decides to drop the non-compete case. When this happens, the client may have to pay to get out of the case that the client initiated.

The costliness of non-compete litigation is complicated by the uncertainty of the outcome. The rule of reason test for non-competes tilts toward employees in many jurisdictions, either by the particular instantiation of the rule or the actual practice<sup>105</sup> of the courts. The more uncertain the outcome on liability or remedy,<sup>106</sup> the more unreasonable it is for the client to devote the resources to a non-compete case. Compounding this uncertainty is the near certainty that suing the departing employee will create negative publicity and a “yuck” effect for prospective creative workers, as well as jettison the boomerang effect for that particular former employee.<sup>107</sup>

## V. ROLE OF LAW SCHOOLS IN TEACHING REASONABLENESS

How can law schools train new lawyers to successfully counsel clients toward reasonableness rather than default to hardball lawyering? One obvious answer is for law schools to teach this approach in their courses on professional responsibility<sup>108</sup> and legal skills. Indeed, using a non-compete issue as a hypothetical can prove powerful because it touches on issues in contract, employment, unfair competition, and intellectual property law. Another logical place to address the issue is in a doctrinal course on employment law or in a practice-oriented course in business planning.<sup>109</sup>

However, I want to direct an emphatic plea to those who, like me, teach intellectual-property-related courses. Our students undoubtedly will counsel clients about non-competes. We can prepare them for this

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2002) (outlining potential counterclaims).

<sup>105</sup> Texas courts, for example, seem to have pro-employee tendencies. See Jason S. Wood, *A Comparison of the Enforceability of Covenants Not to Compete and Recent Economic Histories of Four High Technology Regions*, 5 VA. J.L. & TECH. 14, 16 (2000).

<sup>106</sup> The “outcome” includes both enforcing the non-compete and the remedy that the court will impose. Winning on liability but losing on the remedy means losing the case.

<sup>107</sup> See *Leaky Covenants*, *supra* note 6, at 283–84 (describing boomerang and “yuck” effects).

<sup>108</sup> Textbooks for teaching in this area include: HARDAWAY, *supra* note 42; MILTON C. REGAN, JR. & JEFFREY D. BAUMAN, *LEGAL ETHICS AND CORPORATE PRACTICE* (2005); Deborah L. Rhode, *Preface to PROFESSIONAL RESPONSIBILITY: ETHICS BY THE PERVASIVE METHOD* (Deborah L. Rhode ed., 2d ed. 1998); MARC I. STEINBERG, *LAWYERING AND ETHICS FOR THE BUSINESS LAWYER* (2002).

<sup>109</sup> See generally Carr, *supra* note 8 (business planning casebook).

moment by utilizing in-class simulations, such as role-playing exercises in which students play the role of lawyer and client.<sup>110</sup> Intellectual property transactional clinics also provide a good training ground. This experiential approach gives students the opportunity to see and feel the complexity, and to experience the ultimate shallowness, of rote hardball lawyering in the non-compete context. In other words, experiential training gets students accustomed to counseling real clients in a nuanced and productive manner.<sup>111</sup>

To be sure, it is not easy to teach about or to learn the skills necessary to counsel clients toward reasonableness.<sup>112</sup> It requires a deft touch as the client navigates emotional and hazardous decisions, and an attention to context, especially the client's business and the industry in which it operates.<sup>113</sup> In the end, though, counseling toward reasonableness can prove more professionally satisfying<sup>114</sup> and, indeed, better support innovation policy than hardball lawyering.

## VI. CONCLUSION

Some states ban the enforcement of employee covenants-not-to-compete but most enforce them to the extent they are reasonable. As such, "reasonableness" provides the touchstone for enforceability analysis. Conventional wisdom often holds that the Model Rules of Professional Conduct make it difficult for lawyers to counsel clients toward reasonableness in deploying non-competes. However, the Model Rules are congruent with counseling clients toward reasonableness and hardball lawyering often amounts to professional irresponsibility rather than the professional responsibility that the Model Rules seek to promote. Indeed, counseling clients toward reasonableness supports both exemplary professional conduct and productive innovation policy.

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<sup>110</sup> See, e.g., ROBERT W. GOMULKIEWICZ, *SOFTWARE LAW & ITS APPLICATION* 132–33 (2014) (providing in-class exercises).

<sup>111</sup> See generally Robert W. Gomulkiewicz, *Intellectual Property, Innovation, and the Future: Toward a Better Model for Educating Leaders in Intellectual Property Law*, 64 *SMU L. REV.* 1161, 1181–83 (2011) (discussing the importance of training intellectual property lawyers for practice).

<sup>112</sup> See Barnhizer, *supra* note 49, at 390 ("Law schools fail to deal with some of the most critical aspects of client representation in which most lawyers in private practice find themselves after graduation.").

<sup>113</sup> See Robert W. Gomulkiewicz, *Non-Disclosure Agreements in Technology Collaborations: Balancing Risks and Opportunities*, *COMPUTER & INTERNET LAW*, Feb. 2004, at 17, 18 (illustrating the nuances of advising clients on trade secret-related issues).

<sup>114</sup> See Cable, *supra* note 57, at 188 ("Recognizing something redeeming in the day-to-day work of startup lawyers . . . could be an important development for the legal profession.").