STATE OF NEW YORK
SUPREME COURT COUNTY OF MONROE

NALGE NUNC INTERNATIONAL CORP.,

Plaintiff,

DECISION AND ORDER

v.

Index #2006/11195

BRIAN L. WARREN and
CAMELBAK PRODUCTS, LLC,

Defendant.

Plaintiff, Nalge Nunc International Corporation ("Nalge"), has moved by order to show cause for a preliminary injunction pursuant to CPLR §6301, enjoining and restraining defendants: (1) from entering into any employment, consulting or other relationship whereby defendant Warren would undertake business activities on behalf of CamelBak Products LLC, and (2) from using or disclosing in any manner the confidential information of Nalge, including but not limited to trade secrets and all other information disclosed to or known by Warren as a result of or through his employment by Nalge. A TRO requesting the same relief was granted by the court pending decision on the motion.

Defendant was hired in January, 2002 by Nalge as a Product Manager after having worked since the 1990s in sales positions with sporting goods companies, selling hockey equipment. At the time Warren was hired, he had no experience with respect to the sale of water bottles, denominated by the parties to this motion,

hydration products, which is Nalge's market. Warren signed an agreement upon being hired, called the "Employee Invention, Confidential Information, Non-Compete and Secrecy Agreement" ("the Agreement") In November, 2003 Warren was promoted by Nalge to the position of Sales Manager-Consumer.

Warren states that due to a decline in sales at Nalge and other uncertainties at the company, he began looking for another employer in the sporting goods industry. One company he contacted was CamelBak, a chief competitor of Nalge. In June or July, 2006, Warren was contacted by CamelBak regarding a sales position. Warren pursued both this position and a position at another company. On August 27, 2006, he interviewed with CamelBak in California, evidently discussing his duty not to divulge Nalge secrets. Prior to Warren's departure from Nalge, however, he copied on a CD disk Nalge customer and contact information for the European market, Nalge's consumer sales performance by distributer, Nalge's PowerPoint business presentations and business plans, spreadsheets of consumer sales units and dollars by customer and by goods or products produced by Nalge in competition with CamelBak. Shortly thereafter, on advice of counsel, Warren destroyed the disk. He states he did not realize his actions could be considered improper use of confidential information. Warren does not state, however, that the information copied to the disk was not otherwise copied and

prior to the disk's destruction, although at oral argument defense counsel offered defendant's assurances to that effect. On September 14, 2006 Warren informed Nalge that he had accepted employment with CamelBak. The lawsuit and this motion followed.

Preliminary Injunction

In order for a party to obtain a preliminary injunction, the party must establish that (1) there is a likelihood of ultimate success on the merits, (2) that there is a prospect of irreparable harm if the relief is not granted, and (3) that the balance of equities favor the moving party. Doe v. Axelrod, 73 N.Y.2d 748 (1988). It is also a general rule that a preliminary injunction is a drastic remedy and should be issued cautiously. Uniformed Firefighters Assn. of Greater New York v. City of New York, 79 N.Y.2d 236 (1992). A preliminary injunction is not available in a case for money only. See Credit Agricole Indosuez v. Rissiyskiy Kredit Bank, 94 N.Y.2d 541, 545 (2000).

Here, Nalge's complaint alleges the following causes of action: (1) breach of contract seeking damages incurred pending the issuance of an injunction; (2) breach of fiduciary duties seeking damages incurred pending the issuance of the injunction, (3) unfair competitive practices seeking damages incurred pending the issuance of the injunction, (4) tortious interference with contract stated against defendant CamelBak, (5) misappropriation of trade secrets seeking both an injunction and damages.

The Restrictive Covenant

Under New York law, "negative covenants restricting competition are enforceable only to the extent that they satisfy the overriding requirement of reasonableness." Reed, Roberts Assoc. v. Strauman, 40 N.Y.2d 303, 307 (1976). "An employee agreement not to compete will be enforced only if 'it is reasonable in time and area, necessary to protect the employer's legitimate interests, not harmful to the general public and not unreasonably burdensome to the employee.'" Scott, Stackrow & Co., C.P.A.'s, P.C. v. Skavina, 9 A.D.3d 805, 806 (3d Dept. 2004). See also BDO Seidman v. Hirshberq, 93 N.Y.2d 382, 389 (1999); Crown It Services, Inc. v. Koval-Olsen, 11 A.D.3d 263, 264 (1st Dept. 2004). As the Court of Appeals has observed, "in Reed, Roberts Associates, supra, we limited the cognizable employer interests under the first prong of the common-law rule to the protection against misappropriation of the employer's trade secrets or of confidential customer lists, or protection from competition by a former employee whose services are unique or extraordinary." BDO Seidman. 93 N.Y.2d at 389. It is not claimed, nor could plaintiff prove, that defendant Warren's vocation fits within the definition of a "learned profession." Id. 93 N.Y.2d at 389-90. Nor does plaintiff succeed on this record in showing that Warren was a unique or extraordinary employee such that "protection from competition" in a general or per se sense is permitted.

Plaintiff shows only that Warren began as product manager in 2002, was promoted to Manager of Customer Sales in 2004 responsible for consumer sales in North America and Europe, was involved in product development, marketing, sales, client relations, and pricing, including incentive pricing. He was relieved of his European duties in early 2006, when plaintiff hired a Europe sales manager. Plaintiff states that he had access to all of Nalge's trade secrets and confidential information, was involved in strategic business, product and market line development. Yet plaintiff fails to show how Warren fit into the overall corporate structure other than to say he was a member of a small working group of five employees who shared every aspect of plaintiff's worldwide marketing of water bottles/hydration systems. On this record, it cannot be said that plaintiff establishes, even prima facie on this motion for preliminary injunction, that Warren's services "[we]re of such character as to make his replacement impossible or that the loss of such services would cause the employer irreparable injury." Purchasing Associates, Inc. v. Weitz, 13 N.Y.2d 267, 274 (1963). Warren's replacement in Europe earlier this year, the fact that he reported to Margaret Gregory on the same working group or team, and the evidence that the Rochester office was not staffed with a vice president for a year, prove the point. Compare Ticor Title Ins Co. v. Cohen, 173 F.3d 63, 71-73 (2d Cir. 1999)(star

salesman's extensive client relationships makes him unique).[1]

Accordingly, plaintiff's interest in enforcement of the restrictive covenant is "limited . . . to the protection against misappropriation of the employer's trade secrets or of confidential customer lists." BDO Seidman, 93 N.Y.2d at 389. In other words, where it is not shown that the employee is unique or extraordinary, "a covenant by which an employee simply agrees, as

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[1] In Ticor, uniqueness was found because (1) the product sold was heavily regulated by state law such that "competition for business relies more heavily on personal relationships," (2) potential customers were "limited and well known throughout the industry, [such that] maintaining current clients from this established group is crucial," and (3) the employee negotiated his employment contract containing the non-compete clause with "the assistance of counsel and not from an inferior bargaining position." Ticor, 173 F.3d at 71. None of these ingredients are present here. The proof on this motion is that, while customer relations are important they are not nearly as crucial as in Ticor, because the various water bottle/hydration systems on the relevant market are of different design and different pricing in an unregulated marketplace, because the customer base is open and unlimited, even among distributors serving many competitors for shelf space, and involves internet sales. Further, Warren had to sign the restrictive covenant as a condition of his employment with Nalge and thus from an inferior bargaining position. The employee in Newco Waste Systems, Inc. v. Swartzenberg, 125 A.D.2d 1004 (4th Dept. 1986) was, like Warren, a "key member of a team whose decisions were reviewed by others higher in the corporate structure," but who, "though a highly-paid and extremely valuable corporate officer, [wa]s shown neither to be irreplaceable nor having caused special harm to his employer by his leaving." Id. 125 A.D.2d at 1005. Enforcement of an anti-competitive covenant on the ground of uniqueness of the employee's services is extremely rare. Compare American Broadcasting Companies v. Wolfe, 52 N.Y.2d 394, 403 n.6 (1981)("no New York case has been found where enforcement has been granted, following termination of the employment contract, solely on the basis of the uniqueness of services"), with, Willis of New York, Inc. v. DeFelice, 299 A.D.2d 240, 241-42 (1st Dept. 2002).

a condition of his employment, not to compete with his employer after they have severed relations . . . is enforced only to the extent necessary to prevent the employee's use or disclosure of his former employer's trade secrets, processes or formulae [citations omitted] or his solicitation of, or disclosure of any information concerning, the other's customers." Purchasing Associates, Inc. v. Weitz, 13 N.Y.2d at 272. Here, however, the restrictive covenant contains "broad-sweeping language [that] is unrestrained by any limitations keyed to uniqueness, trade secrets, confidentiality or even competitive unfairness . . . [such that it] does no more than baldly restrain competition." Columbia Ribbon & Carbon Mfging Co., Inc. v. A-1-A Corp., 42 N.Y.2d 496, 499 (1977).[2] "[O]n its face the covenant is too

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[2] The restrictive covenant found in the Agreement states as follows, at paragraph 6:

> Following the termination of my employment with the Company, whether voluntary or involuntary, I will not, *anywhere within the world*, as an individual, employee, employer, independent contractor, consultant, stockbroker, partner *or any other capacity whatsoever*, engage or enter into, for a period of one year following the date of my termination, in *any* employment *or other activity* which is *similar in nature* of which directly *or indirectly* competes with the business of the Company as presently conducted or as such business may evolve in the ordinary course between the date of this Agreement and the termination of my employment. In the event this agreement is deemed by a court of competent jurisdiction to be too restrictive of geographical or time

broad to be enforced as written." Id. *quoted in* Rich Products Corp. v. Parucki, 178 A.D.2d 1024 (4th Dept. 1991).

Plaintiff asks for severance or partial enforcement of the restrictive covenant. The Court of Appeals stated the following with respect to severance or partial enforcement:

> A legitimate consideration against the exercise of this power is the fear that employers will use their superior bargaining position to impose unreasonable anti-competitive restrictions, uninhibited by the risk that a court will void the entire agreement, leaving the employee free of any restraint. [citation ommitted]. The prevailing, modern view rejects a per se rule that invalidates entirely any overboard employee agreement not to compete. Instead, when, as here, the unenforceable portion is not an essential part of the agreed exchange, a court should conduct a case specific analysis, focusing on the conduct of the employer in imposing the terms of the agreement (see Restatement [Second] of Contracts § 184). Under this approach, if the employer demonstrates an absence of overreaching, coercive use of dominant bargaining power, or other anti-competitive misconduct, but has in good faith sought to protect a legitimate business interest, consistent with reasonable standards of fair dealing, partial enforcement may be justified.

BDO Seidman, 93 N.Y.2d at 394. For the reasons stated in Scott, Stackrow & Co., C.P.A.'s, P.C. v. Skavina, 9 A.D.2d 805 (3d Dept. 2004), severance and partial enforcement should not be ordered in

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> limitations, its scope and term shall be amended to conform with the limitations determined by the court to be reasonable.

(emphasis supplied).

the court's discretion. As well stated in that case, addressing similar circumstances as are present here:

> Plaintiff has not demonstrated, or even argued, an absence of anticompetitive misconduct on its part, asserting instead that because the restrictive covenant can be partially enforced, it should be. It is undisputed, however, that plaintiff, from a superior bargaining position, required defendant to sign the employment agreement upon hiring her and thereafter as a condition of continued employment as a staff accountant. There has been no showing that, in exchange for her signing the agreement, defendant enjoyed a fiduciary relationship, a position of increased responsibility within the firm or any other significant benefit beyond continued employment. Moreover, plaintiff continued to require defendant to sign the agreement after the issuance of BDO Seidman, which deemed unreasonable a similar anticompetition agreement prohibiting the solicitation of an accounting firm's entire client base and served as notice to plaintiff that the agreement at issue here was also overly broad.

Skavina, 9 A.D.2d at 807-08. Here, the sweeping covenant plaintiff required defendant to sign was also executed by the parties after the BDO Seidman decision. See also, Columbia Ribbon & Carbon Mfging Co., Inc. v. A-1-A Corp., 42 N.Y.2d at 500 (declining partial enforcement). Accordingly, the motion for a preliminary injunction restraining Warren from becoming employed by CamelBak is denied and the TRO issued last week preventing the same pending this decision is to that extent vacated.

The foregoing is the analysis that must apply in a case in which no theft of trade secrets or misuse of confidential information is shown. The question is whether the calculus changes on the proof here (1) that Warren copied trade secrets and confidential customer information onto a CD disk before he

left Nalge and while he was negotiating with CamelBak, that he later destroyed, and (2) that he left an email message with a Nalge customer he had serviced confirming its account terms with Nalge, alerting it of his departure plans, providing it with its new Nalge contact person, and expressing his desire to contact the customer in the future "to talk to you further on where I will be moving to." Warren readily admits that he took the disk, but he maintains that he destroyed it on advice of counsel, and he offers plaintiff confidentiality terms in an agreement he promises to execute which plaintiff is comfortable with. Plaintiff asks the court not to credit these assurances, but the point is that there is no evidence that the information on the disk was shared, and that the sworn averments of destruction are not controverted in any fashion other than in the speculative credibility arguments made in plaintiff's reply papers. In short, the court does not find that plaintiff has shown a misappropriation (possession *and use* - see infra) beyond the memory Warren can currently take advantage of in his new employment, which, it must be emphasized, has not yet begun. On the inevitable disclosure question, see infra.

Warren's response to the solicitation issue is less convincing, given the terms of the email disclosed in plaintiff's reply papers, but Nalge has submitted no proof of a successful solicitation, nor has Nalge submitted proof that Warren would not be permitted in his new position to solicit the customer in

question so long as he did not use unfair means to do so within the meaning of that term as used in BDO Seidman, 93 N.Y.2d at 391-92. The proof on this motion is that competitors in this market often share the same distributers/retailers and that the competition is basically for shelf space. It would be difficult, if not impossible, for plaintiff to show that solicitation of such customers, known to competitors, is unfair competition within the meaning of BDO Seidman. At any rate, plaintiff does not show that the particular customer in question could only have been identified through confidential or proprietary sources; it was a "fitness chain retailer" as described in plaintiff's moving papers, and thus presumably is known to all in this market without reference to confidential Nalge data.

In its papers, plaintiff contends that, "[i]f Warren is permitted employment with CamelBak, . . . , Warren will undoubtedly have no trouble sharing such [trade secret and proprietary] information." Plaintiff relies on the inevitable discovery (of trade secrets) doctrine. Doubleclick, Inc. v. Henderson, unpublished, 1997 WL 731413, 1997 N.Y. Misc. LEXIS 577 (Sup. Ct. N.Y. Co. 1997), but this doctrine has been rejected in a case in which plaintiff fails to show an effective misappropriation, i.e., actual or threatened use of confidential data, because applying a presumption of use would be tantamount to "'bind[ing] the employee to an implied-in-fact restrictive covenant.'" Marietta Corp. v. Fairhurst, 301 A.D.2d 734, 737 (3d

Dept. 2003)(quoting EarthWeb, Inc. v. Schlack, 71 F. Supp.2d 299, 310). See L-3 Ciommunications Corp. v. Kelly, 10 Misc.3d 1055(A), 2005 WL 3304130 (Sup. Ct. Suffolk Co. 2005). Here there is no *enforceable* restrictive covenant, and plaintiff fails to show that one should be implied by the court in the circumstances. American Broadcasting Companies v. Wolfe, 52 N.Y.2d at 406 ("anticompetitive covenants covering the postemployment period will not be implied" and enforced via equitable relief, although it may appear after discovery that plaintiff may be entitled to damages for breach of the employment contract, or of his employment relationship, by reason of the burning of the disk prior to his departure).

Finally, I question whether in the circumstances plaintiff has shown irreparable harm in this sales context. D & W Diesel, Inc. v. McIntosh, 307 A.D.2d 750, 751 (4th Dept. 2003)("because the non-competition agreement is for a finite period, . . . , any loss of sales occasioned by the allegedly improper conduct of defendant can be calculated"). The situation would be different, of course, if plaintiff showed, in addition to taking and possession, use or threatened use of confidential data, Leo Silfen, Inc. v. Cream, 29 N.Y.2d 387, 391-92; Advanced Magnification Instruments of Oneonta, N.Y., LTD v. Minuteman Optical Corp., 135 A.D.2d 889, 891 (3d Dept. 1987); Continental Dynamics Corp. v. Kanter, 64 A.D.2d 975 (2d Dept. 1978), but defendant has destroyed the disk and plaintiff has not shown use,

threatened use, or other exploitation, a necessary element of a misappropriation of trade secrets claim. H. Meer Dental Supply Co. v. Commisso, 269 A.D.2d 662 (3d Dept. 2000); Business Networks of New York, Inc. v. Complete Network Solutions Inc., 265 A.D.2d 194, (1st Dept. 1999)("or that the database is being used to compete against it"); Gilman & Ciocia, Inc. v. Reid, 153 A.D.2d 878 (2d Dept. 1989)("prima facie right to permanent injunctive relief based on allegations that the defendant had misappropriated customer lists compiled by the plaintiff, and that she had used those lists for her own benefit in violation of her contractual and fiduciary obligations to the plaintiff")(emphasis supplied).[3] In light of the above, the question of irreparable harm need not be reached, nor at this stage need the court reach whether mere copying without more forms the basis for an unfair competition claim for damages.

[3] To succeed on a claim for the misappropriation of trade secrets under New York law, a party must demonstrate: (1) that it possessed a trade secret, and (2) that the defendant used that trade secret in breach of an agreement, confidential relationship or duty, or as a result of discovery by improper means. North Atlantic Instruments, Inc. v. Haber, 188 F.3d 38, 43 (2d Cir.1999) (citing Hudson Hotels Corp. v. Choice Hotels Int'l, 995 F.2d 1173, 1176 (2d Cir.1993)). Thus proof of possession alone, without proof of use or likely or threatened use, is insufficient to establish a misappropriation claim under the Restatement of Torts § 757(1939), which was embraced in Ashland Management Inc. v. Janien, 82 N.Y.2d 395, 407 (1993). See also, Harry R. Defler Corp. v. Kleeman, 19 A.D.2d 396, aff'd, 19 N.Y.2d 694.

The TRO is vacated, and the motion for a preliminary injunction is denied.

SO ORDERED.

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KENNETH R. FISHER
JUSTICE SUPREME COURT

DATED: October 2, 2006
Rochester, New York