General Insulation Co. v McKinley
2011 NY Slip Op 34166(U)
May 19, 2011
Supreme Court, Albany County
Docket Number: 0002-11
Judge: Thomas J. McNamara
Cases posted with a "30000" identifier, i.e., 2013 NY Slip Op 30001(U), are republished from various state and local government websites. These include the New York State Unified Court System's E-Courts Service, and the Bronx County Clerk's office.
This opinion is uncorrected and not selected for official publication.

[* 1]

PRESENT: HON. THOMAS J. McNAMARA
Acting Justice
STATE OF NEW YORK
SUPREME COURT COUNTY OF ALBANY

Albany County Clerk
Document Number 10896020
Rcvd 05/31/2011 4:29:05 PM

GENERAL INSULATION COMPANY,

Plaintiff,

-against-

KEVIN McKINLEY, an individual,

Defendant.

DECISION & ORDER
Index No.: 0002-11
RJI No.: 01-11-102584

(Supreme Court, Albany County, Motion Term)

APPEARANCES: Kevin J. Snyder, Esq.
Attorney for Plaintiff
Snyder, Kiley, Toohey, Corbett & Cox LLP
160 West Avenue
Saratoga Springs, New York 12866

Hancock & Estabrook, LLP
(By: Maureen E. Maney, Esq., Robert C. Whitaker, Esq., and
James P. Youngs, Esq.)
Attorneys for Defendant
1500 AXA Tower 1
100 Madison Street
Syracuse, NY 13202

McNamara, J.

In this action premised on breach of contract and misappropriation of trade secrets and confidential information, plaintiff General Insulation Company ("GIC") moves pursuant to CPLR 6301 to preliminary enjoin defendant Kevin McKinley from disclosing GIC's trade secrets and confidential information during the pendency of this action. Defendant opposes the motion and moves pursuant to CPLR 3211 (a) and Judiciary Law § 470 to dismiss the complaint. GIC opposes defendant's dismissal motion.

GIC is a distributor of commercial and industrial insulation and related products, with offices

throughout the United States. According to GIC, in 2009, it "developed a unique sales, marketing and purchasing program called the Tour De Force Program" (Granara Affidavit at ¶ 3 [sworn to 12-30-10]). GIC asserts that it has a patent application pending on this program with the US Patent and Trademark Office. According to defendant, he and approximately 90-100 employees participated in training regarding the Tour De Force Program in October 2009, which defendant claims is "an add on program for Microsoft Outlook that tracks sales opportunities with GIC's customers and makes integrated notes of respective customers' sales and pricing" (McKinley Affidavit at ¶ 8-9 [sworn to 2-4-11]). Apparently, while at that training program, on October 2, 2009, after defendant had already been employed with GIC for approximately three years, GIC requested that he, and presumptively the others in attendance, execute the "Employee Non-Disclosure Agreement Associated with the Tour De Force Program" ("the Agreement"). At that time, defendant worked in outside sales for GIC at its Syracuse, New York branch office.

The Agreement notes that, in the course of employment, defendant, as a GIC employee, would be privy to certain confidential material regarding both technical and business information associated with the Tour de Force Program. The Agreement provided:

> The Employee agrees that he or she shall not during, or at any time after the termination of his or her employment with the Company, use for his or herself or others, or disclose or divulge to others, including future employees, any trade secrets, confidential information, or any other proprietary data of the Company except as only necessary or when authorized by the Company in order for me to carry out my duties for the Company.

(Employee Non-Disclosure Agreement Associated with the Tour De Force Program at ¶ 2, Snyder Affirmation [affirmed 2-10-11], Exhibit 2). Further, the Agreement provided upon defendant's termination: (1) defendant was to return to GIC all company property and documents, and (2) GIC

"may notify any future or prospective employer or third party of the existence of this Agreement, and shall be entitled to full injunctive relief for any breach" (*id.* at ¶ 3).

With regard to GIC's right to seek injunctive relief, the Agreement more specifically provided:

> The Employee acknowledges that the Company may be irreparably harmed if the Employee's obligations under this Agreement are not specifically enforced and that the Company may not have an adequate remedy at law in the event of an actual or threatened violation by the Employee of its [sic] obligations. Therefore, the Employee agrees that the Company, in addition to any other remedies available to it at law or in equity, shall be entitled to: (a) seek an injunction or any appropriate decree of specific performance for any actual or threatened violations or breaches by the Employee without the necessity of the Company posting a bond, and without the necessity of the Company showing actual damages or that monetary damages would not afford an adequate remedy, and (b) seek reasonable attorney fees in enforcing its rights hereunder.

(*id.* at ¶ 5). The Agreement also noted that it was to "be construed and enforced in accordance with the laws of the Commonwealth of Massachusetts without regard to its conflict of law principles" (*id.* at ¶ 9).

On December 7, 2010, defendant resigned from GIC. According to defendant, he met with "GIC's Regional Vice President, Mark Snodgrass, and Chris Pavlides, General Manager of GIC's Syracuse, New York branch to give [GIC] his resignation" (McKinley Affidavit at ¶ 3 [sworn to 2-4-11]). Defendant further avers that, at that time, he returned all materials either provided to him or he obtained from GIC during the course of his employment (*see id.*). Although defendant's resignation letter was effective December 20, 2010, GIC asked him to leave immediately.

Also on December 7, 2010, GIC's counsel corresponded with defendant, reminding him to

return any of GIC's confidential material to GIC immediately and to abide by the terms of the Agreement (*see* Snyder Letter [dated 12-7-10], Snyder Affirmation [affirmed 2-10-11], Exhibit 1). GIC's counsel also corresponded with Elgen Manufacturing ("Elgen") – defendant's new employer -- notifying it that defendant had signed a non-disclosure/confidentiality agreement and that, if violated, GIC would entertain legal action (*see* Snyder Letter [dated 12-8-10], *id.*, Exhibit 3).[1]

Again, on December 15, 2010, GIC's counsel corresponded with defendant, reminding him that, "if you currently have in your possession any confidential and proprietary information that is owned by [GIC,] . . . this must be returned immediately" (Snyder Letter [dated 12-15-10], *id.*, Exhibit 2). That letter further provided:

> Also, please be advised that it has come to my client's attention that you recently contacted one of [GIC's] current customer[s], Climate Control. This is a customer in which you became aware of only as result of your employment with my client. As I indicated to you already, you signed a confidentiality agreement . . . with [GIC] whereby you agreed to hold all confidential and proprietary information including, but not limited too, customer lists, customer contacts, potential customer contacts, pricing lists, vendor and manufacturing information and the names of customers' personnel in strict confidence while employed and thereafter. . . . It would appear that you are, at the very least, using confidential information (i.e., customer lists and contacts) of [GIC]. This is in violation of your signed Agreement with my client.

(*id.*).

On January 3, 2011, GIC commenced the instant action against defendant. In the complaint, GIC alleges that defendant breached the Agreement by: (1), despite demands for its return, failing to return to GIC its confidential information; (2) immediately soliciting GIC's customers for the

[1] That same letter references another former GIC employee who left to work for Elgen. Apparently, GIC was threatening the commencement of legal action against that former employee because it alleged he had breached the Agreement.

benefit of defendant's new employer; and (3) effectively threatening "to disclose or sell technical information associated with [GIC's] Tour de Force Program and the Purchasing System to his current employers, Elgen Manufacturing, or to another third party" (Complaint [verified 12-30-10], Maney Affirmation [sworn to 2-4-11], Exhibit 1). On January 6, 2011, GIC served the complaint on defendant and moved, by notice of motion and pursuant to CPLR 6301, for a preliminary injunction. In response, defendant opposes the motion and, prior to answering, moves pursuant to CPLR 3211 (a) (8) and Judiciary Law § 470 to dismiss the complaint. GIC opposes the motion to dismiss.

As to the branch of the threshold motion to dismiss premised on plaintiff's counsel alleged non-compliance with Judiciary Law § 470, that section provides:

> A person, regularly admitted to practice as an attorney and counsellor, in the courts of record of this state, whose office for the transaction of law business is within the state, may practice as such attorney or counsellor, although he resides in an adjoining state.

While there appears to be a split in authority whether noncompliance with this provision should lead to dismissal of an action (*compare Elm Mgt. Corp. v Sprung*, 33 AD3d 753, 754 [2d Dept 2006], *with Empire Healthcare Assur., Inc. v Walter Lester, D.C.*, 81 AD3d 570, 571 [1st Dept 2011]), this issue need not be resolved here. Plaintiff's counsel has rebutted the showing of non-compliance made by defendant. In his affidavit, plaintiff's counsel explains that, while he resides in Nevada, he is associated with a New York law firm and has recently been made "of counsel" to that firm. This showing satisfies the requirements of Judiciary Law § 470 (*see Matter of Tatko v McCarthy*, 267 AD2d 583, 584 [1999]; *Matter of Scarsella*, 195 AD2d 513, 516 [1993]; *cf. Empire Healthcare Assur., Inc.*, 81 AD3d at 571). However, given that plaintiff's counsel has an affiliation with a New

York firm, papers served on plaintiff in this action are to be served at the New York address.

As to the second branch of defendant's threshold motion. defendant alleges that service on him may not have been proper, without explaining the basis for that contention. In response, plaintiff submits an affidavit of service establishing that service was properly effected on defendant, which defendant has not rebutted (*see* CPLR 308 [1]; *New York State Higher Educ. Servs. Corp. v Ayanru*, 249 AD2d 701, 701 [1998]; *Manhattan Sav. Bank v Kohen*, 231 AD2d 499, 500 [1996], *lv denied.*, 91 NY2d 802 [1997]). Given the above, defendant's motion to dismiss the action is denied except as discussed.

As to GIC's motion for a preliminary injunction, the Agreement provides that it should be construed pursuant to Massachusetts' law. "Generally, courts will enforce a choice-of-law clause so long as the chosen law bears a reasonable relationship to the parties or the transaction" (*Welsbach Elec. Corp. v MasTec N. Am., Inc.*, 7 NY3d 624, 629 [2006]). Here, neither party objects to the application of Massachusetts' law, and GIC is a nationwide company. However, choice of law provisions typically apply to only substantive issues and not procedural (*see Portfolio Recovery Assocs., LLC v King*, 14 NY3d 410, 416 [2010]. Since, here, the granting of a preliminary injunction is governed by the terms of the CPLR (*see id.*), the Court will follow New York law in setting forth the standard that a party must establish to be granted a preliminary injunction (*see e.g. Eastern Artificial Insemination Coop. v La Bare*, 210 AD2d 609, 610 [1994]).[2]

Settled law holds that "[a] preliminary injunction is appropriate where a movant demonstrates

[2] The standard for obtaining a preliminary injunction is similar under Massachusetts law.

a likelihood of success on the merits, irreparable injury if the injunction is not granted and a balancing of the equities in his or her favor" (*Van Deusen v McManus*, 202 AD2d 731, 732 [1994]; *see Nobu Next Door, LLC v Fine Arts Hous., Inc.*, 4 NY3d 839, 840 [2005]). Further, the decision to grant or deny such provisional relief is committed to the sound discretion of the trial court (*see Nobu Next Door, LLC*, 4 NY3d at 840).[3]

Here, the essence of GIC's argument in seeking a preliminary injunction is that, after defendant began employment with Elgen, defendant contacted two existing GIC customers. Otherwise GIC contends that defendant will contact other GIC customers and disclose to Elgen information regarding the Tour de Force Program. In response, defendant claims that the customers he contacted where either already customers of Elgen or the contacts came about because of generally available information. Defendant denies that he either has any confidential information from GIC in his possession or will disclose any confidential information to Elgen.

Under Massachusetts law, "[i]injunctive relief is warranted to prevent misappropriation and unlawful use of confidential records such as the customers' names and addresses in circumstances in which the former employee and employer entered into a contract that restricts the former employee's use of such material following his employment" (*Merrill Lynch, Pierce, Fenner & Smith, Inc. v Dewey*, 2004 WL 1515502 at *2 [Mass. Super. 2004], citing *Marine Contrs. Co., Inc. v Hurley*, 365 Mass 280, 288-289 [1974]; *see Metropolitan Removal Co. v DSI Removal Specialists,*

[3] The Court rejects defendant's argument that he did not receive proper notice regarding GIC's application for a preliminary injunction since the motion was served at the same time as the complaint. CPLR 6311 specifically provides: "Notice of the motion [for a preliminary injunction] may be served with the summons or at any time thereafter and prior to judgment."

Inc., 2006 WL 619111 at *2 [Mass. Super. 2006]). Furthermore, where parties have consented by agreement to keep confidential an employer's customers, "it is not necessary for the court to conduct a multi-part analysis to determine trade secret status" (*Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 2004 WL 1515502 at *2, n 2, citing *Jet Spray Cooler v Crampton*, 361 Mass 835 [1972]; *see also Campbell Soup Co. v Giles*, 47 F3d 467, 470, n 4 [1st Circ. 1995]).

Here, the Agreement acknowledges that certain information regarding the Tour de Force Program such as customer lists were trade secrets. Thus, if defendant has misappropriated customer lists, injunctive relief is warranted. However, GIC and defendant did not enter into a non-competitive agreement; thus, defendant has the right to work for a competitor of GIC (*see generally Metropolitan Removal*, 2006 WL 619111 at *2). Furthermore, under Massachusetts law, a non-disclosure agreement will not be so broadly interpreted as to equate it with a non-competition agreement (*see Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 2004 WL 1515502 at *2). Consequently, allegations that defendant merely had contact with two of GIC's customers is insufficient to establish that GIC will likely prevail on the merits in this action – "solicitation does not necessarily disclose confidential information" (*id.*). In addition, defendant has submitted evidence that one of the customers he contacted was already a customer of Elgen and the other was easily discoverable through sources of general knowledge – like conducting a computer search of companies in a given geographical area (*see Chiswick, Inc. v Constas*, 2004 WL 1895044 at *2-3 [Mass. Super. 2004]).

The Court further notes that GIC never required defendant to sign a non-disclosure agreement prior to the advent of its Tour de Force Program, which occurred three years into defendant's

employment with GIC. Thus, the thrust of the Agreement is to protect the confidential status of that program. GIC offers no evidence that defendant has shared information regarding this program – only mere speculation that he might (*see Snell v Kerkorian*, 2007 Mass. Super. Lexis 274 ["Injunctions are issued to prevent existing or presently threatened injuries and will not be granted against something merely feared as liable to occur at some indefinite time or in the future. The injury complained of must be of such imminence that there is a clear and present need for equitable relief to prevent irreparable harm."]). In addition, defendant has averred that he turned over any information he had from GIC and that he does not have access to the Tour de Force Program. GIC has not rebutted this showing.

Under the circumstances presented here, the equities do not lie in GIC's favor – any restraint on defendant based on GIC's evidentiary showing could potentially affect defendant's ability to earn a living for his family (*see Chiswick, Inc.*, 2004 WL 1895044 at * 4). Therefore, denial of GIC's request for preliminary injunction is warranted.

The Court has considered the parties' remaining arguments and finds them either unavailing or unnecessary to reach. Accordingly, it is

ORDERED that plaintiff's motion for a preliminary injunction is denied; and it is further

ORDERED that defendant's motion to dismiss the complaint is denied except that plaintiff is directed to use its counsel's New York address for service of papers in this action.

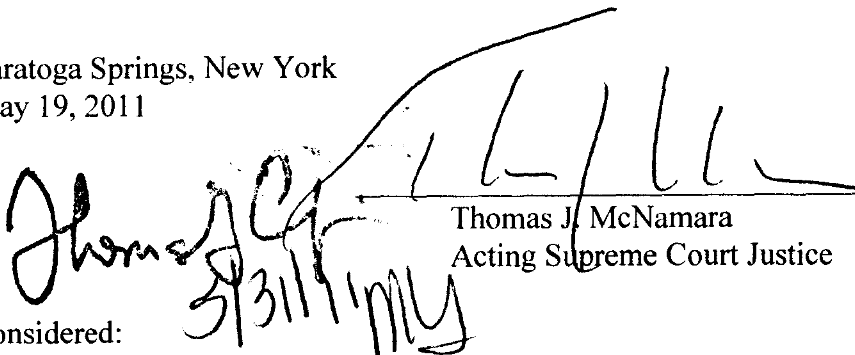
This constitutes the decision and order of the Court. The original decision and order are returned to the attorney for defendant. A copy of the decision and order and the supporting papers have been delivered to the County Clerk for placement in the file. The signing of this

decision and order, and delivery of a copy of the decision and order shall not constitute entry or filing under CPLR 2220. Counsel is not relieved from the applicable provisions of that rule respecting filing, entry and notice of entry.

SO ORDERED.

ENTER.

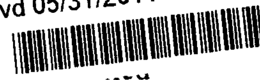
Dated: Saratoga Springs, New York
May 19, 2011



Thomas J. McNamara
Acting Supreme Court Justice

Papers Considered:

Albany County Clerk
Document Number 10896020
Rcvd 05/31/2011 4:29:05 PM



1. Notice of Motion dated December 30, 2010;
2. Affidavit of Frank R. Granara sworn to December 30, 2010;
3. Affidavit of Kevin J. Snyder, Esq., sworn to December 30, 2010
4. Affirmation of Maureen E. Maney, Esq., affirmed February 4, 2(Exhibit 1;
5. Affidavit of Kevin McKinley sworn to February 4, 2011, with annexed Exhibits 1-2;
6. Defendant's Memorandum of Law dated February 4, 2011, with annexed Exhibits 1-8;
7. Reply Affirmation of Kevin J. Snyder, Esq., affirmed February 10, 2011, with annexed Exhibits 1-8;
8. Reply Affidavit of Kevin McKinley sworn to February 22, 2011, with annexed Exhibit A;
9. Sur-Reply Affirmation of Maureen E. Maney, Esq., affirmed February 24, 2011;
10. Notice of Motion dated January 26, 2011;
11. Affirmation of James P. Youngs, Esq., affirmed January 26, 2011, with annexed Exhibits A-D;
12. Defendant's Memorandum of Law dated January 26, 2011;
13. Affirmation of Kevin J. Snyder, Esq., affirmed February 4, 2011, with annexed Exhibits 1-2;
14. Reply Affirmation of James P. Youngs, Esq., affirmed February 10, 2011.