Penton Learning Sys., LLC v Defense Strategies Institute Group
2014 NY Slip Op 32130(U)
July 28, 2014
Sup Ct, New York County
Docket Number: 651791/2012
Judge: Melvin L. Schweitzer
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[* 1]

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 45

PENTON LEARNING SYSTEMS, LLC, d/b/a INTERNATIONAL QUALITY and PRODUCTIVITY CENTER,	:	
Plaintiff,	:	Index No. 651791/2012
-against-	:	DECISION AND ORDER
DEFENSE STRATEGIES INSTITUTE GROUP, SEAN PILLAI, KEITH JOHNSON, LUIS HERNANDEZ, THOMAS ENGELMAN, ANDREW KAFTANOWICZ, MONICA MCKENZIE, ABC CORPORATIONS 1-100, and JOHN DOES 1-100,	:	Motion Sequence No. 003
Defendants.	:	

MELVIN L. SCHWEITZER, J.:

In this action commenced against former independent contractor, Monica McKenzie (McKenzie), former employees, Keith Johnson (Johnson), Luis Hernandez (Hernandez), Thomas Engelman (Engelman), Andrew Kaftanowicz[1] (Kaftanowicz) a/k/a Andy Kaftan, and Sean Pillai (Pillai), and against Defense Strategies Institute Group (DSI), an entity created by each of the individual defendants, except Kaftanowicz and Pillai, plaintiff, Penton Learning Systems, LLC, d/b/a International Quality and Productivity Center (Penton), moves for an order granting it summary judgment on liability only on its second, third, fourth,[2] and seventh causes of action, which respectively sound in breach of the duty of loyalty, breach of contract, misappropriation of

[1] It is undisputed that this action has been discontinued as to Kaftanowicz.

[2] Although Penton asserts that the sixth cause of action alleges a claim for misappropriation of trade secrets, it is clear from the complaint that such cause of action is the fourth.

trade secrets, and in unfair competition. Penton memorandum of law, preliminary statement, at 1.

Background

Penton was founded in 1973 and produces events, conferences, and in-house training programs designed to keep its worldwide executive clientele aware of industry trends, technology, and regulatory matters. Penton's Institute for Defense and Government Advancement (IDGA) was established in 2001 and engages in those activities, nationwide, for the military, government, and defense industries.

Engelman and Hernandez were hired, respectively, in August 2007 and September 2008, to serve as IDGA's conference producers. In that role they researched and developed possible conference topics and agendas, procured speakers for the conferences, and are claimed to have had access to IDGA's contact lists of speakers, sponsors, and delegates (conference attendees) (Shannon aff, ¶¶ 15, 17), which lists were allegedly developed through IDGA's research, relationships, marketing and sales efforts. Some lists were also purchased. McKenzie, a former Penton employee, who worked at IDGA, left for a number of years and returned, as an independent contractor, in August 2010, mainly to produce specific events. She had the same duties as Engelman and Hernandez and was allegedly privy to the same types of information. Because Hernandez, Engelman, and McKenzie were conference producers, each of their employment/independent contractor agreement's rider/exhibit provided that they were to create marketing briefs, also known as project briefs, for each conference. Before issuing a brief, they had to conduct between 25 and 30 in-depth, documented, research calls, upon which the brief

was to be based, and the program had to reflect that research and the significant issues which emerged from it. Shannon aff, exhibits C, D, F.

In August 2009, Johnson was hired as IDGA's Group Event Director. According to his employment agreement, he was "responsible for all phases of event development including marketing, sales, conference production and operations." Shannon aff, exhibit B, Employment agreement rider. In that role, Johnson supervised the work of seven to nine producers, including Engelman and Hernandez, created and kept the forward schedule of events, and assisted in developing IDGA's business strategies. Among his key responsibilities set forth in his employment agreement were the development and management of event budgets, meeting or exceeding financial targets, and "developing and maintaining key external strategic relationships." *Id.* He was aware of the topics that IDGA was pursuing and developing, the speakers, delegates, and sponsors it was soliciting, and the events' budgets and pricing structures. He was also provided with delegate counts and profitability data for events which were held.

Pursuant to their employment agreements, Johnson, Hernandez, and Engelman's minimum work hours were 9:00 a.m. through 5:00 p.m., Monday through Friday. These individuals' duties and job titles were subject to modification by Penton's managing director, Robert Shannon (Shannon), who had direct supervisory authority over all of Penton's activities, including IDGA's business activities. Further, each of their employment agreements contained a work product clause, which provided that the employee's products, designs, written work, and work product, conceived or made during the individual's employment with Penton, which items might have any applicability to Penton's business, were Penton's exclusive property, irrespective

of whether such items were made or conceived during working hours. *See* Shannon aff, exhibits B-D.

Kaftanowicz began working, in September 2007, as IDGA's e-marketing manager. In that role he had access to Penton's databases, and worked with the event producers and Penton's management to ascertain the focus of IDGA's events, the messages which IDGA wished to project, and the target audiences for each event. Pillai was employed as IDGA's web manager in February 2009, and, as such, had at least some of the same duties as Kaftanowicz. *See* Shannon aff, ¶¶ 11, 19. Pillai and Kaftanowicz were made aware of IDGA's forward schedule, budget, and the contact lists of potential delegates for each event. In May 2010, Pillai was called to active military duty in Afghanistan and was deployed for about a year.

Johnson, Hernandez, Engelman, and Kaftanowicz signed employment agreements which set forth their salaries and contained restrictive covenants as well as noncompete and nonsolicitation provisions. Each agreed that for a year after his resignation he would not be involved, directly or indirectly, in a business substantially similar to, or competitive with, plaintiff's businesses, in any geographic locale substantially the same as that where plaintiff marketed, planned, or produced its events. During that same one-year period these employees agreed, with respect to any competing business, not to solicit or attempt to discourage from dealing with plaintiff, anyone who was, during the year before the employee retired, Penton's supplier, client, delegate, sponsor, exhibitor, or conference speaker. Further, these employees agreed that, for that period, they would not provide goods or services which competed with plaintiff's business to anyone who was plaintiff's delegate, sponsor, or speaker during the year

before the employee resigned and to whom plaintiff provided goods or services in the regular course of business.

Johnson's employment agreement further contained a nonrecruitment provision which recited that he would not, for a year after he resigned, solicit, discourage from being employed by, or attempt to lure away from Penton anyone who was, on the resignation date, a Penton employee or officer, nor, for a year after he resigned, would he, on behalf of himself or another person or firm, employ, attempt to employ, negotiate or arrange the employment of anyone who was, for a period of six months prior to Johnson's resignation, a Penton employee or officer. Hernandez and Engelman's employment agreements' nonrecruitment clause, while similar, provided that they would not, for a year after they resigned, employ, attempt to employ, negotiate, or arrange the employment of, on behalf of himself or another person or firm, anyone who was for a period of one year prior to the resignation a Penton employee or officer. Hernandez and Engelman's employment agreements further provided that, for a year after they resigned, they would not directly or indirectly, alone or as a representative of another individual or entity, induce, solicit, or encourage any Penton employee to end his/her employment or work for a competitor.

Johnson, Hernandez, Engelman, and Kaftanowicz also signed Penton's confidentiality agreements, which barred them from using, except in the course of their employment, or disclosing to third parties, except with Penton's written consent, Penton and its divisions' confidential information. Confidential information, according to the agreements, included all of Penton's records, trade secrets, proprietary information, strategies, markets, and financial information, including budgets, conference expenses, revenue, internal pricing information, and

statements of profits and losses. Confidential materials also included those marketing plans which were not public, customer and contact lists, conference and event plans, forward schedules, company internal analyses about the viability of new events, conference topics, company mailing lists, and creations and ideas developed by the employee or by fellow employees or which arose out of plaintiff's business affairs. Confidential information did not, however, include that which was generally known to the public or to the employee before Penton disclosed it to the employee, or which, thereafter, became generally known to the public without the employee's fault. The confidentiality agreements also required that the signatories take all necessary measures to prevent the disclosure or copying of confidential information. Upon the employee's termination, all materials containing confidential information, even if prepared by others, were to be returned to Penton.

Pillai's file was allegedly offsite, so that Shannon had no access to it, but Shannon claims that Pillai signed a confidentiality agreement which was identical to those of the other employee defendants. Shannon, who alleges that all of the employee defendants signed an employment agreement, which contained post-employment covenants, does not specifically urge that Pillai signed an employment agreement, and no copy of any such agreement is appended here. Shannon aff, ¶ 10.

When McKenzie returned to Penton as an independent contractor, she was subject only to an August 23, 2010 independent contractor agreement, which set forth the conferences on which she was to work, including its October 2010 Electronic Health Records (EHR) conference, which she was charged with running and managing. McKenzie's independent contractor agreement provides: that all work product conceived and made by her during her engagement was Penton's

property; that, during her engagement, she would have access to Penton's records and trade secrets, including its client lists, accounts, and business processes; and that such materials were never to be disclosed to anyone or used in any manner, except as required for Penton's business. Further, McKenzie agreed that all of Penton's records, documents, and creative materials relating to its business were to remain its exclusive property, that McKenzie was to return such items in her possession or under her control when her agreement terminated, and that she was not to keep any copies of such items without Penton's prior written permission.

McKenzie's agreement also contains a nonpoaching clause, which provides that, during its term and for six months thereafter, she would not solicit or attempt to entice away anyone who was, within a year of the agreement's termination, Penton's supplier, client, conference speaker, delegate, sponsor, or exhibitor, nor would McKenzie solicit, encourage or participate in soliciting or encouraging a Penton employee to stop working for it or to work for a competitor. McKenzie also agreed that, during the agreement's term and for six months thereafter, she would not, on behalf of herself or another person or entity, employ or recruit, or attempt to do either, with respect to anyone who was or had been, on the agreement's termination, a Penton employee or officer during the year before that termination.

Around the time that McKenzie became an independent contractor, if not sooner, there were discussions among her, Johnson, Engelman, and Hernandez (collectively, the DSI founders) about setting up their own company, ultimately DSI, to create conferences and to provide consulting services to the defense industry. Engelman and Hernandez provided a tentative list of events which the four of them reviewed several months before October 2010. Mauriello aff, exhibit C. According to McKenzie, Johnson was the "lead as far as business structure/finances

[we]re concerned." *Id.*, exhibit E. It was decided, at Johnson's October 3, 2010 suggestion, to quickly start the process of setting up the limited liability company (LLC), because only after being in business for two years could an entity qualify as a "GSA" provider. *Id.*, exhibit C. In early October 2010, it was determined that the proposed LLC's first event would "involve military 'healthcare'/IT" (*id.*, exhibit E), specifically "DoD/VA (Department of Defense/Veterans Administration) iEHR Government HIE" (the EHR conference). *Id.*, exhibit H; *see also id.*, exhibit X.

On October 12, 2010, McKenzie advised the other DSI founders that she had created a "to do" spreadsheet, accessible by each of them, which they could edit and update, as to what and when "we" had to do things. *Id.*, exhibit F. The next day she informed them that she was making an addition to that spreadsheet because, with the lists forwarded to her by Engelman, she could "create 'hyperlinks' to all the sheets." *Id.*, exhibit P. In this regard, she was setting up DSI's event list, with columns, "such as past attendee list 2010, 2009, etc ... speaker lists 2011, 2010, 2009, sponsor contracts, etc. . . ." *Id.*

On October 13, 2010, Johnson emailed McKenzie, with a copy to Hernandez, that, as per prior discussions, DSI should put on about 22 events per year. Johnson then set forth those events which "were our top" ones, including Tactical Power, Borders, Logistics, Maritime Homeland, Vehicles, and Healthcare, as well as Penton's full list of events, and asked that the others make additions of any topic which would be successful. Mauriello aff, exhibit P. Johnson then thanked McKenzie for her help in moving DSI along, noting that, during the day, it was difficult for the other DSI founders to do much, when most of the work

> "needs to be done. Having said that, there are things we can be doing during the day-I have begun saving all hard copies of my marketing briefings, CVBs [commercial viability briefs], etc. Basically anything we can get a small piece of information from in the future. I suggest you guys do the same. In addition, we need to figure out what 'lists' we still need to download-Tom [Engelman], do you have entire lists of contacts, or just those of people who attended a specific event? If it's the latter, there are still tons of information we need to try to get without raising any suspicions. Let's discuss this next week, so I can put a plan together to get more of these things."

Id. Johnson further advised that he had started on the spreadsheet and that everyone should add a lot to it by the next Friday, as well as to the event list and the overall plan. *Id.*

In October 2010, McKenzie was contacted, for reasons unrelated to DSI, by Angela DiNatale (DiNatale), a former Penton employee, and by Jules Horowitz (Horowitz), who quit or was about to quit her job, evidently with Penton. *See* Mauriello aff, exhibit P. McKenzie emailed Johnson and Hernandez that she had informed Horowitz and DiNatale that "we" would welcome them "on board" at DSI on a commission basis for "SPEX," i.e., to solicit sponsors and vendors for DSI's events. *Id.*

On February 25, 2011, Roosevelt Strategic Council, LLC was officially formed with Johnson as its registered agent and the DSI founders as its "Members/Managers." *Id.*, exhibit A. DSI was registered as the LLC's alternate name on a form listing Johnson as its "General Partner." *Id.* Two days later, Engelman forwarded Hernandez his "first stab" at DSI's forward schedule, asking Hernandez to submit any changes or additions. Mauriello aff, exhibit D.

McKenzie deemed it essential to have a written business plan, among other reasons, to show to potential advisory board members (*see e.g.* Mauriello aff, exhibit H) and conference sponsors so that they could see what they were supporting and to entice individuals to serve on that board. McKenzie advised the DSI founders that she deemed it important that she and the

other DSI founders be the plan's authors, and solicited their input, which Johnson agreed to do. *Id.*, exhibit I. DSI's March 2011 business plan, which was presented by its "management board," indicated that, for that year, DSI would concentrate, rather than on consulting, on the production of conferences and seminars for the DoD/Gov (governmental agencies). *Id.*, exhibit B. The plan further recited that its founding "partners" had vast experience in the field, and had "one of the most valued assets in this industry ... relationships," including with large defense contractor sponsors, without which DSI "would have a very hard time 'cracking' this field." *Id.*, exhibit B. DSI then went on to sell itself. In analyzing DSI strengths and weaknesses, the plan noted that a potential weakness was lawsuits by former employers.

According to the plan, the conferences would be attended by paying delegates, but a large portion of the finances and potential earnings would come from sponsors solicited by DSI. The plan also indicated that all business decisions would be made by a vote among the DSI founders. The plan also contained a conservative revenue projection for a three-day conference, which listed the number of delegates, the amounts they paid, and the sponsorship revenue. Apparently to bolster this projection and demonstrate the founders' capabilities as well as the endeavor's potential profitability, the plan recited that appendix "three" contained the actual conference revenue generated for a three-month period in 2010 by the DSI founders, while working for a competing entity.

The purpose of the advisory board was to give DSI, especially through its website, a "level of legitimacy." *Id.*, exhibit L. Another purpose was to ensure that the content of DSI's conferences would be attractive to the targeted audiences. Mauriello aff, exhibits H, CC. To accomplish this latter goal, conference topics were to be chosen from certain focus areas which

DSI deemed relevant. Mauriello aff, exhibit H. Each advisory board member was allegedly to be selected to match up to a focus area, to give advice on the conference subject matter, so that relevant, quality programing would be created, which would hopefully attract delegates *(id.*, exhibit H) and sponsors.

McKenzie, Engelman, Hernandez, and Johnson, the latter three before they left Penton, were to each recruit two advisory board members. *See* Mauriello aff, exhibits G, L. Engelman, for example, wished to approach for the advisory board a particular individual with whom he was acquainted, but did not want to use Penton's email. He, therefore, asked McKenzie to approach that individual for him, indicating that McKenzie was free to use his name. McKenzie contacted the individual, letting him know that she was doing so on Engelman's behalf. *See* Mauriello aff, exhibit CC.

In March 2011, McKenzie sent the other DSI founders notes on DSI's forward schedule, which included "Borders" (United States borders) and EHR. Mauriello aff, exhibit X; *see also id.*, exhibit Q; *id.*, exhibit NN (April 2011 email from McKenzie to the other DSI founders regarding the upcoming schedule, which included EHR, other topics, and possibly logistics, and asking Hernandez and Engelman to review those events and make adjustments for DSI's website). Johnson opened DSI's bank account in April 2011 and worked at getting the DSI founders' signature cards during Penton's business hours. Mauriello aff, exhibit O. Later that month, also during Penton's business hours, he sent the DSI founders documents needed to apply for a bank loan on DSI's behalf (*id.*, exhibit N), which loan would take about two weeks to process, once the application was submitted. *Id.*, exhibit O.

On April 7, 2011, McKenzie advised the other DSI founders that she had to start production on DSI's EHR conference around the end of that month. On April 26, 2011, reminding the DSI founders that this was a "team effort," she sought their input regarding the timing of that event, advising that there was another industry conference (AUSA) from October 10-12 in Washington, D.C. and that Johnson could not move IDGA's EHR conference, which was scheduled for late October 2011, to the end of October. McKenzie then stated that "[w]e want to be BEFORE Idga," and gave the DSI founders the options of going after or back-to-back with AUSA, which might have some synergy, because DSI's EHR conference was going to be in the D.C. area, a week after AUSA, or head to head with IDGA's conference, which she did not advise because of the confusion factor. Mauriello aff, exhibit U, emphasis in the original. Everyone agreed with the first option, and no one disputed that DSI's conference should be held before IDGA's. Similarly, McKenzie tasked all the other DSI founders in arranging for marketing services and advised them, in her March 19, 2011 to-do list, that marketing had to be "on board" by April 30, so that email invitations could go out to the delegates by mid to late May "to beat 'others' to the market for ehr." *See* Mauriello aff, exhibit G.

While he was still a Penton employee, Hernandez undertook to find someone to design DSI's website, and on McKenzie's April 7, 2011 to-do list sent to the other DSI founders, Hernandez was prompted by McKenzie to so expeditiously because she could not send out invitations to DSI's EHR conference before the website went live. *See* Mauriello aff, exhibits G, J, L. A Sean Dillon was ultimately retained, after discussions were had among all the DSI founders. *See id.*, exhibits J, M. On April 20, 2011, McKenzie emailed the other DSI founders, attaching the first draft of the DSI website and asking Engelman and Hernandez to make

adjustments to the upcoming events portion. Mauriello aff, exhibit NN. On May 18, 2011, while he was still employed by Penton, Hernandez emailed Engelman, attaching his edits for DSI's website, indicating that he had just worked on attempting to "unIDGA" DSI's conference titles, because Hernandez believed that "we" wanted to "make our own stand." *Id.*, exhibit Z.

Additionally, Horowitz and a Seth Agatstein (Agatstein), a former Penton employee, were ultimately retained to solicit sponsors for DSI's conferences. It appears that Engelman had an established relationship with Agatstein (*see* Mauriello aff, exhibit FF) and reached out to him in February 2011. *Id.*, exhibit EE. In her to-do list emails of March 19 and April 7, 2011, under the heading "SALES, SPEX," McKenzie asked Engelman to contact Agatstein as to DSI's September-December 2011 events. Mauriello aff, exhibits G, L. McKenzie also asked Engelman to reach out to several individuals regarding delegate sales. *Id.*, exhibit G.

On April 14, 2011, Hernandez emailed the DSI founders stating that, with another person leaving IDGA, he did not want anyone else at Penton to be approached about what they were doing at DSI, because, once McKenzie produced the EHR conference and sponsors found out about that event, he wanted to have "plausible deniability to the extent possible early on." Mauriello aff, exhibit HH. Hernandez was concerned that people at Penton might start asking questions and someone might say something to protect themselves. He wanted to discuss that and everything else at a lengthy meeting, and noted that another shorter meeting might occur before then. *Id.* Johnson agreed with Hernandez. *Id.*

On May 4, 2011, the DSI founders were to have a meeting regarding what appears to be DSI's October 2011 EHR conference and the draft of an agreement among themselves about potential lawsuits against them by Penton. The day before that meeting McKenzie emailed the

DSI founders, breaking down the tasks each was to perform. Johnson was to "crunch numbers," decide on the price points for delegates and sponsors and costs for a particular event, evidently the EHR conference, come up with the breakeven figure, and determine how many complimentary military passes DSI could offer. *Id.*, exhibit V. On May 17, 2011, Engelman emailed Agatstein, attaching confidentiality and independent contractor agreements for him signed by Engelman, and advising that McKenzie wished to speak to him regarding DSI's first conference. Several days later McKenzie met with Agatstein to provide information relevant to his job, but told him, in essence, that DSI's website had been delayed and was expected to be up in about a week, so that the delegate invitations had not gone out, and he could not start soliciting until the website was up. Mauriello aff, exhibit FF. On May 23, 2011, McKenzie terminated her independent contractor relationship with Penton. Shannon aff, ¶ 23; *see also* Independent Contractor Agreement, ¶ 4 (contractor can end agreement without notice to Penton). DSI's website went live later that month. On June 8, 2011, after the bank loan fell through, Johnson emailed the other DSI founders, advising that they needed to meet to discuss financing. Mauriello aff, exhibit HH. Hernandez agreed to meet, but cautioned that they "need[ed] to be really careful being seen together now." *Id.*

In the meantime, and at the latest in October 2010, Hernandez, on behalf of DSI, undertook to work with Helms-Briscoe, a company that booked hotel space and services for conferences. Mauriello aff, exhibit P, Hernandez email of 10/13/2010. In her March 19, 2011 to-do list email to the DSI founders, McKenzie asked Hernandez to reconnect with Helms-Briscoe and to "forward us the information." Mauriello aff, exhibit G. Over the next several months, Hernandez worked extensively with Shelley Tubbs (Tubbs) of Helms-Briscoe,

sometimes during what appears to have been Hernandez's working hours at Penton (*see* Mauriello aff, exhibits HH, MM), to book conference space and rooms in the Washington, D.C. area for DSI's EHR conference, requesting concessions, informing Tubbs of DSI's needs in connection with Helms-Briscoe's request for proposals from the hotels, meeting with the other DSI founders about the issues, including the costs, ultimately changing dates, seeking a hold on rooms, and obtaining a countersigned contract from Sheraton for its Old Town Suite in Alexandria. Mauriello aff, exhibits V, HH, LL, MM, QQ. The registration form invitation for the EHR conference recites that the conference was to be held at the Sheraton Suites, Old Town Alexandria. *Id.*, exhibit RR. On June 21, 2011, Johnson was notified by PayPal of DSI's first receipt of payment for the EHR conference, and continued to receive PayPal notifications. *Id.*, exhibits M, KK.

In July 2011, Engelman started to put a budget together for DSI's sales and marketing efforts, and solicited input from McKenzie, Johnson, and Hernandez, for example as to delegate monies received and SPEX account receivables. Hernandez responded that he would provide his budget for venue and on-site costs. Kaftanowicz resigned from IDGA on July 22, 2011. As he was leaving, Johnson asked him if McKenzie could contact him about working for DSI, an entity which Kaftanowicz understood to also involve Hernandez and Engelman. McKenzie contacted Kaftanowicz, with respect to providing marketing for an upcoming event, but he proposed working for DSI on a monthly basis (*id.*, exhibit DD), and with Johnson and Hernandez's September 2011 approval, which was solicited by McKenzie, Kaftanowicz began providing marketing and consulting services for DSI on a free-lance basis, beginning in October 2011. *Id.* In assenting, Hernandez acknowledged that it was important to publicly boost DSI's name

recognition, but he asked McKenzie to remind Kaftanowicz that Engelman and Hernandez were still at Penton and that he wanted as much "plausible deniability as possible if we were ever questioned about dsi." *Id.*

In late September 2011, Johnson emailed the other DSI founders, setting forth IDGA's pricing for its Border conference, proposing a price structure for DSI's Border event, which undercut IDGA's, and advising them that they all had to decide the pricing structure for that event, which DSI had then scheduled for March 2012. *Id.*, exhibit W. Sean Pillai, who had not returned to work at IDGA after his tour of duty ended, was approached by McKenzie and Johnson, allegedly to work on DSI's website and blog about his "thoughts on the military" (Pillai aff, ¶ 5), and began, at the latest in October 2011, to work for DSI, remotely from Massachusetts.

On October 5, 2011, Engelman emailed the other DSI founders, advising that he had attached his changes to DSI's Expeditionary Operations program, which changes consisted mainly of the addition of Admiral Harvey to the program, who was added on the basis of the feedback from the "Amphib" summit and his amphib ops (operations) background, which led to the conclusion that he was the "lead on this from a Navy doctrine perspective." *Id.*, exhibit Y. Engelman asked the DSI founders what they thought about this, and that if it were acceptable, the changes should be provided to "Sean," and they should start inviting people. *Id.* Engelman added that he would confirm the date of IDGA's A2/AD (anti-access/area denial) summit, "so we can select a correct date." *Id.* Because Horowitz was going to take the lead on sponsorship of DSI's late February 2012 Expeditionary Operations conference, McKenzie emailed her, on October 20, 2011, copying Engelman, advising that Engelman would, in the next two weeks, i.e., before he left Penton's employ, brief her on that conference. *Id.*, exhibit Q.

Following DSI's October 2011 EHR conference, Johnson, who had resigned from Penton on August 19, 2011, emailed Hernandez, and presumably McKenzie and Engelman, on October 14, 2011, stating that they should have a conference call on Monday, shortly after noon, to go over the event "and discuss the next steps with everything," and that they should have items and thoughts "on the next weeks' and months' strategy to build on the early success." Mauriello aff, exhibit K. Hernandez, who ultimately resigned from Penton on November 30, 2011, responded that he would participate in the call. *Id.*

On October 20, 2011, Johnson emailed Pillai and the DSI founders, advising that the EHR conference was a success because relationship building with "key players" had been started "way before" production had begun. Mauriello aff, exhibit Q. Johnson asked Hernandez and Engelman to promptly inform "us" of new topics that they had in mind, so that "Sean"[3] and Johnson could start building relationships with those players long in advance. *Id.* Johnson asserted that in order to "ensure success, ... research and relationship building" had to begin about six months before each event. *Id.* Johnson also advised that, in order to build relationships, he was "looking at [himself] and/or Sean" going to several competitive events and to DoD organizations and vendors with which they had contacts. *Id.*

That email further discussed several other DSI upcoming events, including a 2012 EHR conference, which they needed to start marketing, and indicated that Sean had already set up a blog on it. Johnson instructed Engelman and Hernandez, who were still at Penton, to compile as much data as they could, such as lists and marketing briefs, for events they believed DSI would be running. *Id.* Additionally, Johnson expressed his dissatisfaction with Agatstein's failure to

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[3] This was apparently a reference to Sean Pillai, rather than to Sean Dillon.

reach out to the EHR conference sponsors to attempt to secure their sponsorship for future events. He asked for everyone's thoughts and called for a conference call a week later to discuss how to handle DSI's sponsorship team and all the other DSI matters. *Id.* Johnson scheduled a conference call for October 25, 2011 and provided the other DSI founders with the dial-in number. *Id.*

On Monday, October 24, 2011, during Penton's business hours, Engelman emailed Kaftanowicz, with copies to McKenzie, Hernandez, Johnson, and Pillai, that an IDGA employee had informed him that she had found DSI's website and that the events posted were just like IDGA's, that she was certain IDGA producers were behind it, and was wondering whether Rob [presumably Shannon] would sue. Engelman advised that he had feigned puzzlement over that employee's discovery, and indicated "that we knew this would happen, especially once ou[r] marketing was stepped up, but from [that employee's] perspective it was very obvious th[is] was IDGA people." Kaftanowicz aff, exhibit C. Engelman expressed his concern that others might start digging and that they could face "issues." *Id.* He indicated that he had discussed this with Hernandez and that they both "strongly" believed the DSI website should be updated by changing event names "to things that don't seem so blat[e]ntly knocked off (even though most were our ideas to begin with)." *Id.* Kaftanowicz agreed that the conference names should be changed so that they would not "seem so similar to IDGA events." Mauriello aff, exhibit K. About a half hour later, Engelman emailed McKenzie, with copies to the others, that the more he looked at the DSI website, the more he believed that it was its feel, rather than a specific event, that dealt with things that were similar to IDGA's, and as long as they were not identical, there was no trademark issue. Engelman advised that he would try to come up with some new topics that day

because, as of then, "all" of the topics were similar to IDGA's and it would be good to have several that were unrelated. Kaftanowicz aff, exhibit D.

On October 26, 2011, Johnson, copying the other DSI founders, emailed Kaftanowicz and Horowitz, that he had just uploaded, onto DSI's shared database, Engelman's expeditionary ops documents from his last "amphib ops" and "IW events," and that they should look through them because they would be helpful in understanding how a March DSI event would be shaped. Kaftanowicz aff, exhibit B; *id.*, ¶ 14. Similarly, Engelman, who, according to Shannon, resigned from Penton on November 10, 2011, emailed Kaftanowicz an IDGA Counter A2-AD 2012 Project brief on November 16, advising Kaftanowicz to use it in connection with an upcoming DSI conference, not for its content, but for its market, which was "exactly the same with less AF [Air Force]." Kaftanowicz aff, ¶ 12; *id.*, exhibit A. The brief, which was appended to the email, is not completely legible. It, however, sets forth marketing resources, the primary, secondary, and tertiary markets and the total percentages from each, breaks down the job titles from various areas of those markets to be targeted, and sets forth a delegate acquisition strategy, the vendors and speakers to be targeted, and other entities' competing events.

In April 2012, Pillai ended his relationship with DSI when he found full-time employment in Massachusetts. Penton commenced this action in May 2012.

The Pleadings

The complaint purports to assert seven causes of action, specifically, conversion, breach of the duty of loyalty, breach of contract (consultancy agreement for McKenzie, and employment agreements, and presumably confidentiality agreements for the other individual defendants), misappropriation of trade secrets, "tortious interference," conspiracy, and unfair competition.

The breaches of contract and duty of loyalty causes of action are asserted only against the individual defendants; the balance of the causes of action are asserted against every defendant. The answers of Pillai and the remaining defendants allege, among other things, that the restrictive covenants are unenforceable and that Penton's claims are barred because it has no proprietary information to protect.

The Instant Motion

Plaintiff's Arguments

Penton moves for an order granting it summary judgment on liability on the breach of the duty of loyalty, breach of employment, confidentiality, and consulting contracts, misappropriation of trade secrets, and on the unfair competition causes of action, so that the parties can expeditiously proceed to trial on damages. Shannon asserts that Penton expends a great deal of time, effort, and money in estimating demand for particular events and developing conference topics which would be in demand, conducting interviews with key industry personnel, revising agendas on topics that are re-run for a number of years, ascertaining the most opportune times and places to hold its conferences and the key sponsors and speakers to be pursued, in developing market strategies, and creating budgets for those events. These tasks are allegedly often carried out with the assistance of those with whom Penton has formed relationships over the years. Shannon asserts that it is important to be first in the market with a new topic. Additionally, Shannon contends that Penton used its time and resources to develop relationships with delegates, who are long-time users of IDGA's services. It is also claimed that Penton develops its lists of delegates, sponsors, and speakers through substantial research, marketing, and sales efforts. Shannon avers that IDGA's senior staff, including Hernandez, Engelman, and

Johnson, meets at least weekly to deal with these matters, including setting and adjusting its forward schedule of events and their budgets, and discussing key industry personnel to be solicited as event speakers and sponsors. *See also* Shannon aff, riders/exhibit to exhibits C, D, F.

Moreover, Shannon claims that Penton's computer system is set up so that only those employees with a need to know have access to confidential information, all employees are required to sign confidentiality agreements, and that those employees with access to confidential information have to sign employment agreements with post-employment covenants, which are intended to protects Penton's interests. Shannon contends that each of the individual defendants had access to Penton's confidential information, including Johnson, who supervised "virtually every aspect of [its] business." Shannon aff, ¶ 13; Kaftanowicz aff, ¶ 5.

Shannon claims, based on Kaftanowicz affidavit and on an extensive series of emails between and among the defendants, which emails were obtained during the course of on-going discovery, that rather than waiting until the non-compete periods' expirations, or at least until after they had quit working for Penton, the individual defendants began working for DSI, recruiting advisory board members, promulgating a business plan, creating a website, soliciting sponsors, delegates, and speakers, planning DSI's forward schedule of conferences, including its EHR conference, and advertising on DSI's website, including about that conference, for which DSI collected funds.

Shannon contends that, while Hernandez, Johnson, and Engelman were still employed by Penton and collecting a salary, they and McKenzie, in order to benefit DSI and themselves, were not merely taking preliminary steps to set up a competing company, DSI, but were operating it, and were, thus, disloyal. Penton claims that the defendants solicited its employees in violation of

their non-solicitation clauses, and obtained, used, and will continue to use, in violation of their confidentiality agreements, Penton's confidential financial, budgeting, pricing, and profitability documents, marketing and commercial viability briefs (CVBs), forward schedules of conference topics and agendas, and lists of sponsors, delegates, and conference speakers. As to its finances, Penton points to DSI's business plan's reference to appendix "three's" containing Penton's revenue figures, and observes that the plan's appendices were missing from the copy of that plan provided during discovery.

Shannon claims that a review of DSI's website, evidently on an unspecified date in 2012, which website set forth DSI's upcoming conferences, reveals that all of those events seem to be copies of IDGA's events, some of which it had produced for years, and one of which was a new event, Tactical Power, which IDGA had researched, including as to its potential viability and relevance, and had developed. That latter event was set forth in IDGA's forward schedule, which Shannon avers was not public knowledge. Shannon believes, "on information and belief," that Johnson brought this information to DSI and that its announced upcoming summit, Military Mobile Power, is based on IDGA's confidential information. Shannon aff, ¶ 27. Shannon also asserts that IDGA held border conferences for many years, that the employee defendants were employed when IDGA put on a Border North conference and had knowledge of its details and success, and that DSI jumped ahead of IDGA's Border North conference, which was scheduled for July 2012, with DSI's U.S.- Canada Border Security conference, which it scheduled for April 2012. Similarly, Shannon asserts that DSI scheduled a Defense Logistics and Material Readiness Summit for May 2012, which, "on information and belief," was based on IDGA's longstanding conference, Military Logistics, which was to be held in June 2012. *Id.* Further, Shannon

contends that DSI's June 2012 Maritime Security Symposium is a knockoff of IDGA's Maritime Homeland Security conference, and that DSI's Ground Tactical & Combat Support conference, is based on IDGA's "ongoing successes" with its Military Vehicles and Tactical Vehicles exhibitions. *Id.* Shannon believes that it is inevitable that the individual defendants will solicit the same speakers, sponsors, and delegates for those events, which are copies of, and competitive with, Penton's events, and will urge those individuals to do business with DSI, rather than with IDGA.

Shannon also claims that Hernandez, shortly before he resigned from Penton, was working on IDGA's Military Vehicles conferences, that his work was much poorer than his previous work for IDGA, and that he falsified speaker lists. Shannon observes that DSI is putting on its own vehicles conference, entitled "Ground Tactical & Combat Support," and believes that Hernandez falsified the speaker lists and breached his duty of loyalty, because he wanted to use the actual speakers for DSI.

Kaftanowicz adds that, while working for DSI, he observed Hernandez and Engelman, "assisting in the planning of DSI events," while they were still employed by Penton. Kaftanowicz aff, ¶ 10. Kaftanowicz also contends that, during the time he consulted for DSI, he was surprised to see events which appeared to be IDGA knockoffs, which the defendants attempted to distinguish by changing their names.

Defendants' Arguments

Defendants oppose Penton's motion procedurally, urging that its failures to provide a complete set of the pleadings and to file a statement pursuant to Rule 19-a of the Commercial Division of the Supreme Court (22 NYCRR 202.70) mandate the motion's denial. The

defendants further urge that because Penton, in response to defendants' request for the production of documents, refused to produce most of them and because depositions have not yet been conducted, summary judgment is premature. Defendants urge that among the copies of documents to which they are entitled are those which: Penton claims defendants improperly took or copied; reflect the harm to Penton and its damages; are relevant to measures Penton took to protect supposedly confidential materials; demonstrate when Pillai ceased his employment with Penton; reflect whether Penton actually expended substantial resources on developing its conferences; and are pertinent to whether the individual employee defendants had high-level positions.

The defendants also substantively oppose Penton's motion, relying principally on their affidavits, and Johnson, Hernandez, and McKenzie's adoption of all the facts set forth in Engelman's affidavit. The DSI founders claim that they did not contact any potential speakers until after they left Penton's employ, and that the identities of past and potential speakers and of those individuals who made up DSI's advisory board members were public knowledge. McKenzie adds that DSI's advisory board was created through the DSI defendants' personal contacts, not through IDGA's information, and that IDGA did not have an advisory board. Engelman contends that he took no "active" role in recruiting advisory board members. Engelman aff, ¶ 36. He further contends that Penton's delegate lists did not contain particularized information about the delegates and that the lists were not confidential, because the names of conference delegates were provided to the conference sponsors without their having to sign confidentiality agreements. *See also* McKenzie aff, ¶ 14 (Penton provides names of

conference attendees to fellow attendees, sponsors, and to shared media partners, without obtaining a confidentiality agreements).

The DSI founders further contend that IDGA's pricing information was public knowledge, since it was set forth on its website. Engelman maintains, as to Penton's assertion that DSI's business plan's appendix contained IDGA's confidential revenue figures, that such information from IDGA was actually never included in DSI's business plan. Engelman aff, ¶ 11. He also maintains that a DoD-Contractors' November 2010 document, which he mentioned in an email, was simply a list which he gathered from the web and shared with McKenzie and Johnson in February 2011, while he was still at IDGA, rather than an IDGA document, and that it was created on his own time. Engelman aff, ¶ 16; *see also* Mauriello aff, exhibit S. Engelman claims that none of the defendants worked for DSI, including as to sponsors, while at IDGA. Further, Engelman claims that IDGA's Amphibious Operations conference, or IDGA's Ops summits, were "completely different" from DSI's Expeditionary Operations conference. Engelman aff, ¶ 21. Because they were different conferences, Engelman contends that Horowitz could not have been assigned to work on DSI's Expeditionary Operations conference using his IDGA materials.

Engelman further contends that he and DSI wanted to change DSI's conference names to dissociate DSI from Penton because it had a "horrible reputation in the industry." *Id.*, ¶ 22. Moreover, Engelman asserts that the names and details of IDGA conferences were public knowledge, that anyone starting a business could copy a conference title and the event's details, and that there are multiple competitors in the industry which host the same conferences in the same general locales. Engelman claims that forward schedules were simply publically available

schedules of future events, and that neither he nor any other defendants had knowledge of any "secret" forward schedule. *Id.*, ¶ 35.

As for the solicitation of Penton employees, Pillai asserts that his employment with Penton ceased when he was deployed.

Engelman asserts that Horowitz and DiNatale had ceased working for Penton for more than a year, when "McKenzie left" Penton, Agatstein had left IDGA four years earlier, and that no one ever contacted an Alexa Deaton, another former Penton employee. *Id.*, ¶¶ 26-27. Engelman also claims that no one contacted Kaftanowicz until he had stopped working for IDGA. *Id.* The DSI founders claim that they were unaware that Kaftanowicz and Pillai were subject to any restrictive covenants and that they denied that they were. Engelman also provides a copy of the independent contractor agreement, which it is undisputed that Kaftanowicz signed for DSI, in which he represented that his engagement was not barred by any contract with a third-party.

Engelman denies that Kaftanowicz saw him working for DSI while he was still at IDGA, but concedes that it is possible that Kaftanowicz saw him sending emails, but that none of them related to sales or products, since neither he nor Hernandez performed that work. Engelman contends that at most he and Hernandez worked on finding venues or working on the DSI website, but that that was done on their own time, and that they did nothing substantive. Engelman asserts that any IDGA materials that Kaftanowicz saw him and Hernandez use had to have been publicly available information, such as conference agendas, which were not copied but used to distinguish DSI from IDGA. Moreover, Engelman contends that "we" did not use IDGA's "materials to create our own conferences." Engelman aff, ¶ 48. Engelman also contends that the information in the A2/AD brief was publicly accessible, that neither IDGA nor DSI ever

held an A2/AD conference, and that, accordingly, such brief could not have been helpful to DSI. *Id.*, ¶¶ 35, 47. Furthermore, Engelman claims that CVBs and marketing briefs contain no proprietary information, and are merely a compilation of public news items, "other events of the same theme from other organizations," and the names of defense or government officials. Shannon aff, ¶ 12. Engelman also asserts that Kaftanowicz did not share his access to IDGA's marketing information with any other DSI defendant, and that no other DSI defendant saw that information. Additionally, Engelman contends that no DSI defendant took any money from it until stopping work for Penton, and that any money they subsequently took was not from any DSI conferences held before they left IDGA.

McKenzie asserts that, before they left Penton's employ, the other DSI founders took steps, only on their own time, to set up DSI so that it would exist when they left Penton. McKenzie claims that, until they left Penton, the DSI website did not contain their names. Because she was an independent contractor for Penton, rather than its employee, McKenzie maintains that the fact that she worked on behalf of DSI is not actionable. McKenzie further claims that, until they left Penton, none of the DSI defendant performed revenue-generating work for DSI. Hernandez adds that certain of the exhibits relating to Helms-Briscoe merely refer to Hernandez's attempts to teach himself about how to price a venue for a potential event, and that DSI never held an event at any of the venues he discussed with Tubbs. Johnson asserts that, while he was at Penton, he was simply a low-level Penton employee and that, during that time, he performed no work for DSI. He also contends that he never tried to influence Penton's schedule. Johnson maintains that Penton did not select conference topics based on its own historical knowledge, but, rather, on "our" knowledge that "we" brought to Penton and on

research conducted of governmental and military organizations. He claims that his reference, in his October 13, 2010 email, about saving documents that DSI might need was not a reference to Penton's materials, nor did that reference establish that he stole its proprietary information. Instead, he claims that he was referring to information he found on his own time on the internet. Johnson aff, ¶ 7.

Moreover, Johnson maintains that Penton's computer security prevented the printing or downloading of alleged proprietary information, including sponsorship, marketing, and accounting information. Johnson also contends that contact lists can be found on the internet, that lists of potential delegates can be purchased, and that information about delegates can be found on the web. Johnson asserts that Penton's past lists of delegates were the only things the defendants could download from Penton's computers. *Id.*, ¶ 14. He also claims that the defendants did not use any marketing briefs because they were not "remotely helpful." *Id.*, ¶ 12. In this regard he asserts that, once a topic was picked, the producers were informed and would make phone calls to find speakers, who would select their own topics. *Id.*; *but see* Shannon aff, riders/exhibit to exhibits C, D, F. However, even if Penton's marketing briefs were used, Johnson claims that all of the information in them was publically available, through internet research. Johnson also contends that Penton has failed to establish that the CVBs contain proprietary information, and further contends that they do not, since the information is available on the internet and through research via cold calls.

As for budgets, Johnson, who concedes that he reviewed budgets for IDGA, claims that he had no budget control, access to line-item budgets, or "special" access to Penton's budgetary information (*id.*, ¶ 18), that Penton's budgets would not be helpful to DSI because it was a much

smaller entity, and that Penton has never produced copies of any budgets it claims DSI misappropriated. Johnson further claims that it was his "understanding" that Shannon's pricing of events was based on the DoD's maximum daily allowance.

Defendants also claim that a comparison of Penton's agendas from its 2011 and 2012 conferences with DSI's agendas shows that only seven of 76 of their conferences overlapped: IDGA's July 2011 Border North conference, April 2011 and April 2012 9th and 10th annual Maritime Homeland Security conferences, June 2011 and June 2012 Military Logistics conferences, 4th annual October 2011 EHR conference, January 2012 Tactical Power Sources Summit, and IDGA's January 2012 Main Summit Day. Defendants further observe that of those seven overlapping conferences there was an overlap of only 12 of 130 speakers, and no overlap of sponsors. Also noted by defendants is that with respect to five events run by DSI, only eight of the 213 delegates had attended events run by Engelman and Hernandez for IDGA. The defendants urge that the foregoing comparative figures "suggest[]" that defendants were not using Penton's materials, confidential or otherwise. Sheppe aff, ¶ 9. Finally, Johnson, Hernandez, and Engelman assert that they worked hard for Penton before they resigned.

In response, Penton submits only a reply memorandum in which it contends that defendants' emails and documents establish its entitlement to partial summary judgment. Further, Penton claims that defendants do not need any further discovery to resist this motion.

Discussion

The movant on a summary judgment application has the initial burden of prima facie establishing its entitlement to the requested relief, by eliminating all material allegations raised by the pleadings. *Winegrad v New York Univ. Med. Ctr.*, 64 NY2d 851 (1985). The failure to do

so mandates the denial of the application, "regardless of the sufficiency of the opposing papers." *Id.* at 853. Where the movant makes its required showing, the burden shifts to the other side to demonstrate the existence of a material fact. *Ferluckaj v Goldman Sachs & Co.*, 12 NY3d 316, 320 (2009). Because the remedy of summary judgment is drastic in that it "deprive[s] a party of his day in court," it "should not be granted where there is any doubt as to the existence of a triable issue or where the issue is even arguable ... ." *Gibson v American Export Isbrandtsen Lines*, 125 AD2d 65, 74 (1st Dept 1987) (internal citation omitted); *see also Forest v Jewish Guild for Blind*, 3 NY3d 295, 315 (2004).

However, "[a] shadowy semblance of an issue ..." is an insufficient basis upon which to deny the motion. *S.J. Capelin Assoc. v Globe Mfg. Corp.*, 34 NY2d 338, 341 (1974) (internal quotations and citations omitted). Similarly, feigned issues are unavailing in attempting to resist summary judgment. *See Glick & Dolleck v Tri-Pac Export Corp.*, 22 NY2d 439, 441 (1968) (court on summary judgment cannot weigh the affiant's credibility, "unless it clearly appears that the issues are not genuine, but feigned"); *Jin-Rong Yu v 2030 Embassy LLC*, 83 AD3d 562, 563 (1st Dept 2011).

Nevertheless, a party opposing summary judgment is entitled to discovery if facts which support that party's claims might exist, but cannot then be stated (*Schlichting v Elliquence Realty, LLC*, 116 AD3d 689, 690 [2d Dept 2014]), and this is especially so where "the opposing party has not had a reasonable opportunity for disclosure prior to the making of the motion." *Wesolowski v St. Francis Hosp.*, 108 AD3d 525, 526 (2d Dept 2013). To take advantage of CPLR 3212 (f) to delay or avoid summary judgment, one must show that the required proof is within the movant's exclusive knowledge, that the claims in opposition to summary judgment

"are supported by something other than mere hope or conjecture," and that the party has attempted to discover facts undercutting the movant's proof. *Voluto Ventures, LLC v Jenkens & Gilchrist Parker Chapin LLP*, 44 AD3d 557, 557 (1st Dept 2007); *see also Progressive Northeastern Ins. Co. v Penn-Star Ins. Co.*, 89 AD3d 547, 548 (1st Dept 2011) (summary judgment not premature where defendant "failed to present any evidentiary basis [for its] suggest[ion] that discovery may lead to relevant evidence" [internal quotation marks and citation omitted]).

Lack of Pleadings and Rule 19-a Statement

Defendants' argument that this motion must be denied because Penton failed to submit a full set of pleadings is without merit. Ordinarily, the failure to provide the court with a full set of pleadings requires the denial of a summary judgment motion. CPLR 3212 (b); *Weinstein v Gindi*, 92 AD3d 526, 527 (1st Dept 2012). However, because this case has been e-filed, the court has the ability to easily access the parties' pleadings, and has done so. *See Studio A Showroom, LLC v Yoon*, 99 AD3d 632 (1st Dept 2012) (failure to submit pleadings properly disregarded where they were e-filed). Additionally, this commercial part does not have a rule requiring every summary judgment movant to submit a statement of undisputed material facts pursuant to Rule 19-a of the Commercial Division of the Supreme Court (22 NYCRR 202.70), nor has this part requested the parties to submit one.

Breach of the Duty of Loyalty

One who is the agent or employee of another is barred from acting in any way that is "inconsistent with his agency of trust and is at all times bound to exercise the utmost good faith and loyalty in the performance of his duties." *Lamdin v Broadway Surface Adv. Corp.*, 272 NY

133, 138 (1936). Where an agent or employee acts in a manner adverse to the employer in any portion of a transaction or fails "to disclose any interest which would naturally influence his conduct in dealing with the subject of the employment," such act or omission amounts to a fraud on the principal. *Lamdin v Broadway Surface Adv. Corp.*, 272 NY at 138.

Ordinarily, the taking of preliminary steps by an employee to enter into a competitive business does not constitute a breach of loyalty, unless the employee lessens his work for the employer or misappropriates for his own use his employer's business secrets or special knowledge. *Feiger v Iral Jewelry*, 41 NY2d 928, 929 (1977); *see also 30 FPS Prods., Inc. v Livolsi*, 68 AD3d 1101, 1102 (2d Dept 2009) (employee breaches duty of loyalty by using employer's time and facilities to establish new post-employment business). Nonetheless, "[i]t is an elementary principle that an agent cannot take upon himself incompatible duties, and characters, or act in a transaction where he has an adverse interest or employment." *Lamdin v Broadway Surface Adv. Corp.*, 272 NY at 139; *Qosina Corp. v C & N Packaging, Inc.*, 96 AD3d 1032, 1033 (2d Dept 2012) (employee cannot act in any way contrary to employer's interests). Also, while an employee, before leaving his employment, may make inquiries of his employer's clients as to whether they would be interested in using his services after he leaves (PJI 3:59), ordinarily, an employee cannot solicit his employer's customers while still employed. *Island Sports Physical Therapy v Burns*, 84 AD3d 878 (2d Dept 2011); *A & L Scientific Corp. v Latmore*, 265 AD2d 355, 356 (2d Dept 1999); *Pure Power Boot Camp, Inc. v Warrior Fitness Boot Camp, LLC*, 813 F Supp 2d 489, 521-522 (SD NY 2011).

Where an "employee engages in a business which, by its nature, competes with the employer's, a double breach of duty occurs. Not only is the principal deprived of the services for

which he has contracted, but he finds these services turned against himself." *Maritime Fish Prods. v World-Wide Fish Prods.*, 100 AD2d 81, 88 (1st Dept 1984) (internal citation and quotation marks omitted). Under the foregoing circumstance, the employee or agent is unfaithful to one principal or to the other because the duties are conflicting, rendering the faithful performance of the two endeavors by the same individual an impossibility. *Lamdin v Broadway Surface Adv. Corp.*, 272 NY at 139.

A disloyal employee or agent must account to his principal for clandestine profits (*Bon Temps Agency v Greenfield*, 184 AD2d 280, 281 [1st Dept 1992]) and may be "disentitled to recover his compensation, whether commissions or salary ...," even where the employee's services benefitted the principal or the disloyalty caused the principal no damages. *Feiger v Iral Jewelry*, Ltd., 41 NY2d at 928; *Evangelista v Queens Structure Corp.*, 27 Misc 2d 962, 963-964 (Sup Ct, Queens County 1961); *see also Matter of Blumenthal (Kingsford)*, 32 AD3d 767, 768 (1st Dept 2006) (disloyal employee's disgorgement of compensation not "tantamount to the imposition of punitive damages").

Pillai; McKenzie

The branch of Penton's motion which seeks summary judgment on its breach of the duty of loyalty claim against Pillai and McKenzie is denied. As to Pillai, Penton has not established what its arrangement was with Pillai when he left for military service or whether there was any specific contact between Penton and Pillai upon his return to the United States. Shannon's vague statement that Pillai "determined not to resume employment at [Penton] following his military leave" (Shannon aff, ¶ 12), is inadequate to meet its burden in this regard, in light of Pillai's claim that his employment ended on his deployment. Penton has not provided a copy of Pillai's

employment agreement. Neither does Penton urge that, because Pillai failed to provide written notice of termination, as set forth, for example, in section VIII, B of Hernandez, Johnson, and Engelman's employment agreements, Pillai was still employed when he returned from military service. In light of the foregoing, Penton has not demonstrated that Pillai was still employed by it when his deployment ended.

Further, even if he were, Penton's reliance on Pillai's October 20, 2011 email to Hernandez indicating that Pillai "also ha[d] a lot of stuff from when [he] w[a]s in NY that [he would] upload over the next week or so" (Pillai aff., exhibit A), is unavailing in light of Pillai's assertions that he never performed any marketing, sales, or event work for Penton and that the materials to which he was referring did not belong to Penton, but were, instead, based on his creative ideas for conference topics gleaned from his military experience and contacts. Given that Pillai was Penton's web manager and that Shannon never asserted in his moving affidavit that Pillai's duties included creating conference topics, or that Pillai ever suggested a conference topic to Penton, was encouraged to do so, or spent time creating and storing his conference topic ideas in Penton's computers during his work hours, Penton has failed to establish that Pillai breached any duty of loyalty. Further, because Penton has not provided a copy of Pillai's employment and confidentiality agreements, Penton has failed to demonstrate, or for that matter urge, in reply, that any such conference ideas conceived on his own time were work product belonging to Penton. Additionally, Pillai disavowed that he had been a DSI partner, as stated on his LinkedIn page, and this appears to be supported by the absence of his name in DSI's certificate of formation, the brief time that he performed work for DSI when his deployment ended, and by the fact that he did not return to live in New York after that time.

In light of the foregoing, the lack of any prima facie showing by Penton that Pillai used any contacts he developed at Penton to aide DSI, as might be suggested by Johnson's email of October 20, 2011 (Mauriello aff, exhibit Q), and Pillai's claim that he never took or used any of Penton's information while working for DSI, the branch of Penton's motion which seeks an order granting it summary judgement as to Pillai on its breach of the duty of loyalty cause of action and on any of its other causes of action raised by this motion as to him, must be, and hereby is, denied.

As to McKenzie, Penton has not refuted her claim that she was acting as an independent contractor, an assertion that is supported by her contract with Penton, entitled, "Independent Contractor Agreement," which recites that such agreement "shall not render" McKenzie an employee or agent of Penton. Shannon aff, exhibit F. Thus, Penton has failed to demonstrate that McKenzie owed it a duty of loyalty.

Johnson; Hernandez; Engelman

The same, however, cannot be said of Johnson, Hernandez, and Engelman, who were Penton employees and owed it a duty of loyalty which they each breached. Therefore, the branch of Penton's motion which seeks an order granting it summary judgment only on liability on its breach of duty of loyalty cause of action against Johnson, Hernandez, and Engelman, is granted.

At the outset it should be noted that Johnson's opening of DSI's bank account, and any involvement of the DSI founders in creating DSI's business plan were merely steps preliminary to DSI's operation. Further, although it is likely that Johnson provided McKenzie with Penton's three-month 2010 revenue figures for inclusion as appendix "3" of DSI's business plan (*see* Mauriello aff, exhibit P [in which Johnson indicated that he would provide the financial

information, evidently for the plan]), and it is difficult to imagine that such appendix was never included, given that the plan's purpose was to impress, and thus lure, potential delegates and sponsors, Engelman's assertion that it was never included, raises a factual issue as to whether there was a breach of loyalty in that limited regard.

Depending on when and why Johnson sought financing, that too may have been such a preliminary step. The initial steps of finding someone to design and set up DSI's website, but not the listing of specific events, would also be preliminary steps. Similarly, the hiring of marketing personnel is arguably a preliminary step, but not for limited or preconceived events. Arguably, the creation of an advisory board may have been such a step. However, because the DSI founders' selection of courses appears, at least to some extent, to have preceded the board's creation, whether the selection of board members was to service preconceived conferences, which defendants had already decided to hold, is somewhat murky on this record.

Nevertheless, Johnson, Hernandez, and Engelman were not simply preparing to go into business; they were in business, and were performing duties for a competing company, DSI, while employed by Penton. *See e.g. DDS Partners, LLC v Celenza*, 16 AD3d 114, 115 (1st Dept 2005); A *& L Scientific Corp. v Latmore*, 265 AD2d at 355; *Bon Temps Agency v Greenfield*, 212 AD2d at 281; *Maritime Fish Prods. v World-Wide Fish Prods.*, 100 AD2d at 88. As set forth in DSI's business plan, DSI's business decisions were to be made by all of the DSI founders, and as McKenzie indicated, while the other DSI founders were still at Penton, they were all working as a team for DSI, for which the DSI founders regularly attended conferences and/or participated in conference calls, and not just for preliminary matters. Johnson, Hernandez, and Engelman were all asked to add to DSI's to-do list, to make decisions about event topics,

pricing and scheduling of specific conferences, to discuss finances, to contribute to budgeting when money was coming in, and had their advice solicited, including about employee issues, such as what to do about Agatstein's subpar performance, among other issues.

That McKenzie, who had more time than the others because she was no longer employed by Penton, and did not have it looking over her shoulders, took the lead and performed much of what had to be done, does not eliminate the others' participation. Also, that none of the DSI founders collected a salary while employed by Penton is not controlling, because, under DSI's business plan, no one could collect a salary during the first three months of DSI's operation, and when anyone received a salary, thereafter, was dependent on its finances. Mauriello aff, exhibit B, at DSI 00018. Further, that Johnson, Hernandez, and Engelman were not collecting a salary is not determinative of whether they were working for DSI, because they were each building an entity, which would hopefully benefit them in the future. Nor is it determinative that no one's name was on DSI's website until they left Penton's employ, because, for example, it is clear from Hernandez's emails that he, and presumably the others, wanted "plausible deniability" for that period. Further, simply because one allegedly could not print or download certain information does prevent one, for example, from copying it via a cell phone or by hand. Moreover, Johnson's claim that at Penton one could only download lists of former delegates, is undercut by his downloading of Engelman's amphibious operations and IW documents, and by Engelman's downloading of his A2/AD brief and the lists given by him to McKenzie of Penton's sponsors and speakers.

Further, that only a small number of Penton delegates from its conferences worked on by Hernandez and Engelman attended five DSI conferences, does not equate with the DSI founders

having used only delegate lists other than Penton's. Specifically, five conferences is not necessarily a representative number of conferences, the possibility that defendants used IDGA delegate lists of IDGA event producers, other than Engelman and Hernandez, has not been eliminated here where Johnson supervised up to seven more producers, and, as McKenzie admitted, as a rule, for every 300 invitations issued, only one, and possibly two, potential delegates register. *See* Mauriello aff, exhibit OO.

Defendants' contention that, as to seven overlapping DSI and Penton conferences, there were no sponsors in common and only several speakers in common, and that that also shows that DSI did not use Penton's lists, is similarly unpersuasive. Defendants have not established that there were only seven overlapping conferences, because this claim is based on its faulty analysis of what was overlapping. For example, Engelman's assertion that Penton's Amphibious Operations conference was completely different from DSI's Expeditionary Operations conference, is undercut by Engelman's addition to DSI's program of an expert on amphibious operations based on feedback from Penton's Amphibious Operations summit. Moreover, on November 29, 2011, Kaftanowicz sent Engelman a copy of a proposed early-bird solicitation to be posted on DSI's website for its February 15-16, 2012 Expeditionary Operations summit, entitled "Mapping the Future of America's Sea-based Response Force." Mauriello aff, exhibit TT. The solicitation's supporting statement advised that, for the past 10 years, the United States Marine Corp and Navy "had been working in a different paradigm than what they were designed for," and explained that in Afghanistan and Iraq there were scant amphibious assaults, but that, since the cold war ended, the number of such assaults had nearly doubled. *Id.* Hence, there was a need to improve expeditionary operations. Among the summit's topics were those regarding

pending investment decisions for amphibious capabilities and implementing the sea-air battle concept. As for the dearth of overlapping speakers and sponsors, that may be attributable to defendants' use of their relationships formed at Penton to funnel those individuals toward DSI. In this regard, Hernandez does not directly contest Shannon's claim that, in connection with his work for Penton, he listed conference speakers who were not real.

Johnson, who took the lead on DSI's finances and wanted its conferences to be financially successful and had reviewed IDGA's budgets and was, thus, aware of its sponsorship revenues and the number of delegates attending its conferences, was disloyal when he advised McKenzie and Hernandez of IDGA's top events and asked that they add topics which they thought would be successful. In October 2010, Johnson advised Hernandez and Engelman that he would put their tentative lists of events into a calendar, so that they would have a plan as to scheduling. Thus, Johnson was involved in event scheduling for DSI, while still employed by Penton, and by his involvement in the scheduling of DSI's first EHR conference, which directly competed with Penton's EHR conference, and was disloyal. Engelman and Hernandez were also disloyal in their involvement in the scheduling of DSI's 2011 EHR conference, and all three were disloyal in going along with that conference being scheduled before Penton's conference. They were also disloyal in that they all had the task of getting DSI's marketing in place by April 30, so that they could beat all others to the market for EHR. Mauriello aff, exhibit G.

Johnson was also disloyal in copying IDGA's marketing briefs and CVBs for DSI's future use and in attempting to corrupt Engelman and Hernandez by advising them to download, during their workday for Penton, "without raising any suspicions," anything that would be useful to DSI, including contact lists. Mauriello aff, exhibit P. *See Maritime Fish Prods. v World-Wide*

Fish Prods., 100 AD2d at 88. Johnson's contention that he was not, in his October 13, 2010 email, referring to Penton documents is feigned and belied by the substance of that email. This conclusion is buttressed by Johnson's October 20, 2011 email to Engelman and Hernandez to compile as much data as possible, such as lists and marketing briefs, relevant to events which they might run, and by Johnson's subsequent uploading of Engelman's IDGA's Expeditionary Operations and IW event documents onto DSI's shared website and advising Kaftanowicz and Horowitz to use it to understand how a DSI event was to be shaped. Johnson's claim that the categories of documents he saved and instructed the others to save would be useless, is again belied by his own words, his instructions to the others regarding Penton's documents, his use of the documents, and by Engelman's sending of IDGA's A2/AD marketing brief to Kaftanowicz so that he could use it to learn whom to target for a different DSI event, which had the identical market, with fewer Air Force personnel.

Whether any Penton records copied or downloaded by Johnson or Engelman constituted trade secrets, is irrelevant. *See Leo Silfen, Inc. v Cream*, 29 NY2d 387, 391-392 (1972) ("a physical taking or studied copying" of an employer's records, may be enjoined, "not necessarily as a violation of a trade secret, but as an egregious breach of trust and confidence while in plaintiffs' service"); *Falco v Parry*, 6 AD3d 1138 (4th Dept 2004); *Amana Express Intl. v Pier-Air Intl.*, 211 AD2d 606 (2d Dept 1995); *Lincoln Steel Prods. v Schuster*, 49 AD2d 618 (2d Dept 1975); *Pure Power Boot Camp, Inc. v Warrior Fitness Boot Camp, LLC*, 813 F Supp 2d at 521-522; *see also Churchill Communications Corp. v Demyanovich*, 668 F Supp 207, (SD NY 1987) ("surreptitious removal, copying, or withholding of an employer's customer lists or information for later competitive purposes breaches the obligation of loyalty ... ") (internal citation and

quotation marks omitted); *see also Tour & Study v Hepner*, 77 AD2d 843, 843 (1st Dept 1980, Bloom, J., dissenting).

Johnson was also disloyal in sending emails regarding DSI, during his Penton work hours, including in working on DSI's banking and loan matters. Further, Johnson was disloyal in collecting DSI's conference payments and working on the costs and pricing of a particular DSI event while employed by Penton.

Engelman was disloyal in providing McKenzie with his lists of IDGA's conference attendees and speakers for various years and with copies of its sponsor contracts, working on DSI's Expeditionary Operations conference, creating DSI's forward schedule, soliciting and hiring Agatstein for DSI's September-December events, speaking with him to get feedback on those events, providing DSI with a list of DoD contractors and budgeting information, and offering his suggestions to the other DSI founders regarding mailings to delegates and their cost. Mauriello aff, exhibits D, G, P, S, Y, II, JJ. Engelman and Hernandez were disloyal in determining topics for DSI's conferences (*see* Mauriello aff, exhibits C, Y, NN), and, as of late October 2011, all of DSI's conferences set forth on its website were, as conceded by Engelman, "similar to IDGA events" (Kaftanowicz aff, exhibit D), and, therefore, competitive with them. Engelman's claim that he changed the titles of DSI's conference titles because Penton had a horrible reputation, and he wanted to distinguish DSI's conferences from Penton's, demonstrates his disloyalty, but is belied, not only by the substance of his emails, but by DSI's business plan, which he issued with his cofounders and recites that there were very few companies that specialized in DoD/Gov, and that those which existed, including IDGA, were "well established and tend[ed] to have fairly well performing portfolios." Mauriello aff, exhibit B.

Hernandez's other acts of disloyalty include his developing DSI's forward schedule, providing photographs for specific events for DSI's website, agreeing to participate in an October 2011 conference call with the DSI founders to discuss "everything" and to address DSI's strategy for building on the success of DSI's 2011 EHR conference, working on DSI's budget with respect to the conference venue, arranging for a webpage which had a separate URL for DSI's competing 2011 EHR conference, and working on that conference's venue. Mauriello aff, exhibit D, G, K, L, V, X, HH, JJ, LL, QQ. Hernandez's claim that he was simply practicing when he was dealing with Helms-Brisco is patently feigned, and, if it is true that the EHR event did not occur at any of the venues mentioned in his discussions with Tubbs, it is likely because his work on the issue, and the pricing he obtained, led McKenzie to decide to hold it elsewhere, because it would be more cost effective. *See* Mauriello aff, exhibit HH, McKenzie email to Hernandez of 5/9/11 (McKenzie advises the DSI founders that, because of DSI budget problems, DSI needed to reduce its per person price point, and that it might be best to hold the EHR conference at a hospital/medical location). Defendants' position, that obtaining hotel rooms, conference and vendor space, and making meal arrangements at an appropriate price point are an insignificant part of DSI's duties, is without merit, because DSI's business is holding conferences, and is it evident from Hernandez's emails with Helms-Briscoe that a great deal of work was involved.

Breach of Contract Cause of Action

A. Anticompetition Clauses'/Confidentiality Provisions

A restrictive covenant will be enforceable only "to the extent that 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." *BDO Seidman v Hirshberg*, 93 NY2d 382, 388-389 (1999) (internal quotation marks and citation omitted).

Covenants which restrict competition are enforceable only if they are reasonable, but "where an anticompetition covenant given by an employee to his employer is involved a stricter standard of reasonableness will be applied." *Reed, Roberts Assoc. v Strauman*, 40 NY2d 303, 307 (1976). A covenant given by an employee agreeing not to compete with his employer after the employment is ended, is subject to the requirement of reasonableness, "but is enforced only to the extent necessary to prevent the employee's use or disclosure of his former employer's trade secrets ... ." *Purchasing Assoc. v Weitz*, 13 NY2d 267, 272 (1963); *Reed, Roberts Assoc. v Strauman*, 40 NY2d at 307; *Business Networks of N.Y. v Complete Network Solutions*, 265 AD2d 194, 194-195 (1st Dept 1999).

Restrictive covenants can, however, also be enforced to prevent the competitive use of relationships which the former employee developed as a consequence of the employment, such as where the former employee had worked closely over a protracted period, at the employer's expense, with a client, particularly where the employee's services were an important part of the transaction. *BDO Seidman v Hirshberg*, 93 NY2d at 391-392. In that case, "[t]he employer has a legitimate interest in preventing" its former employee from exploiting its client's goodwill "to the employer's competitive detriment." *Id.* at 392.

Where the employee's services are unique or extraordinary, the covenant is afforded greater latitude *(Ashland Mgt. Inc. v Altair Invs. NA, LLC*, 59 AD3d 97, 105 [1st Dept 2008], *mod on other grounds*, 14 NY3d 774 [2010]), and may be enforced, via injunction, if reasonable, even if trade secrets were not involved. *Purchasing Assoc. v Weitz*, 13 NY2d at 272. The

reasonableness of a restrictive covenant's duration depends on the circumstances, irrespective of whether the employee's services were unique or extraordinary. *See Ashland Mgt. Inc. v Altair Invs. NA., LLC*, 59 AD3d at 105.

Confidentiality agreements/clauses are considered restrictive covenants, and, as such, are subject to the same principles governing enforceability. *Ashland Mgt. Inc. v Altair Invs. NA., LLC*, 59 AD3d at 102. They will be enforced only as needed "to prevent the disclosure or use of trade secrets or confidential customer information." *Id.* (internal quotation marks and citation omitted).

Trade secret protection will not be afforded where information, such as clients' names, are "readily ascertainable," from outside sources. *Columbia Ribbon & Carbon Mfg. Co. v A-1-A Corp.*, 42 NY2d 496, 499 (1977). Similarly, a customer list will not be considered a trade secret despite expenditure of time and money, where the information could be obtained without "extraordinary effort from nonconfidential sources." *Starlight Limousine Serv. v Cucinella*, 275 AD2d 704, 705 (2d Dept 2000); *see also Leo Silfen, Inc. v Cream*, 29 NY2d at 392-393 (where "customers are not known in trade or are discoverable only by extraordinary efforts," they will be protected as trade secrets).

The branch of Penton's motion, which seeks summary judgment on liability on its breach of confidentiality agreements/clause and on its anticompetition agreements, is denied.

Discovery

As defendants have asserted, despite the parties' execution of a so-ordered stipulation for the exchange and production of confidential information, defendants have been largely rebuffed in their attempt to obtain discovery, pursuant to their extensive document request, and

depositions have not yet occurred. The defendants' lack of information is due, in part, to the overbreadth of many of their document requests, and to their apparent failure to promptly follow up when Penton declined to provide most of the requested documents. However, in the exercise of the court's discretion, defendants should be permitted to expeditiously seek, through appropriate document requests and depositions, further discovery. Such discovery would include that needed to verify Penton's contentions about the measures it took to insure that its allegedly confidential information was not disclosed, such as its allegedly limiting access on a need-to-know basis, requiring all of its employees to sign confidentiality agreements, and mandating that all of its employees with access to confidential information sign employment agreements with restrictive covenants.

Restrictive Covenant: Enforceability

As to the merits, the one-year duration set forth in Johnson, Hernandez, and Engelman's employment agreements restricting their employment in any similar business is not, in and of itself, unduly restrictive, and nationwide restrictions are sustainable, under appropriate circumstances. Nevertheless, Penton, which does not claim that the defendants' services were unique or extraordinary, has failed to demonstrate that the one-year, nationwide restriction would not have unduly and unnecessarily impeded these individuals' ability to secure employment.

Although it is likely that the defendants developed important relations with sponsors, as set forth in DSI's business plan, and with speakers, and although relationship building was important, as acknowledged by Johnson (*see also*, Mauriello aff, exhibit B, Employment agreement, rider), Penton has not met its burden of demonstrating, as a matter of law, that the anti-competitive covenants were enforceable. Penton does not identify any poached sponsors,

vendors, or speakers with whom each of the defendants developed a relationship as a consequence of his employment with Penton. Nor does Penton demonstrate, for example, why simply barring these defendants from soliciting the sponsors and speakers with whom they have developed relationships while at Penton, would be insufficient.

Confidentiality

There is also an issue as to whether these speakers and sponsors' identities and their suitability for particular conferences were confidential information. Penton does not indicate the amount of time and financial resources which were involved in the development of each such relationship or in the development of any other of its categories of alleged confidential information. Instead, Penton lumps those categories together and asserts in a conclusory manner that it expended substantial time and money in developing them.

Penton has also failed to demonstrate that its delegate lists contained any special information developed by Penton, that outside sources for its delegates' names and likely interests in the conference's topic were not readily ascertainable, or that the defendants developed any relationship with Penton's delegates, who appear to have been solicited by mass mailings or via email, without any individual contact by Penton personnel. Penton has not provided copies of its allegedly confidential invitation lists it used for any particular event or lists of those who actually attended that event, nor has it provided copies of any corresponding lists used by DSI for any similar event, and lists of DSI's attendees. The lack of documentation may well be due to the fact that discovery has not concluded, and it is unclear on this record whether Penton has or will be undertaking a forensic examination of DSI and the individual defendants' computers to ascertain which Penton documents were downloaded and used by defendants.

Penton does not indicate when each of its conferences, including its Tactical Power conference, was publically announced to demonstrate that its forward schedules were misappropriated. In addition, there is a dispute as to whether the forward schedules were public knowledge. The court also notes that although Shannon asserts that Penton's Tactical Power conference was something new and was undisclosed, Johnson's email of October 13, 2010 recites, as to various Penton conferences, including Tactical Power, "here were our top events," thus, seemingly indicating not only that it was a past event, but how well it did. Mauriello aff, exhibit P.

Neither does Penton assert that any of its specific conference topics, aside from Tactical Power, were unknown or that such topic had not been the subject of a conference held by any of its competitors, other than DSI. Additionally, here, where many of Penton's conference topics were repeated and were, therefore, publicly divulged, Penton has not demonstrated that the contents of any future rendition of a repeated conference were secret and were copied wholesale by defendants. Furthermore, Penton does not contend that any particular future locale or timing it selected for a specific conferences, of which defendants had knowledge, was based on specific proprietary information about the benefit of that location or date, or indicate that a corresponding DSI conference was held or scheduled to be held at that place or time.

As for Penton's CVBs, that information contained in them was obtained via research, including through phone calls with persons whom the researcher determined would likely be able to provide relevant information, does not necessarily mean that such information or Penton's analyses and conclusions reached as a consequence of that research were readily available to the public. Although the name of CVBs alone suggests that its content was proprietary, Penton does

not advise as to the content of a CVB or even provide a copy of one. Nor does Shannon in his affidavit mention CVBs and explain how the information set forth in any one was acquired so as to demonstrate that the information was not readily available. Further, that one CVB might contain information which was not readily available, does not necessarily mean that the information in another was not readily available, and the same is true with respect to Penton's marketing briefs.

Concerning Engelman's unspecified expeditionary operations and "IW" documents, which Johnson had requested Kaftanowicz look at, no copies of those documents have been provided here, and neither Kaftanowicz nor Shannon enlightens the court about their contents. As for the one marketing brief that Penton has provided on this motion, its A2/AD brief, its content, and the content of another marketing brief which defendants received in discovery, albeit in heavily redacted form, show that they required some effort and strongly suggest that such briefs were meant to be confidential. However, although this court notes that a rider/exhibit to each of Engelman, Hernandez, and McKenzie's employment/independent contractor agreements, recites that such individual was required to make 25-30 in-depth, documented phone calls before issuing a marketing brief, Shannon does not mention these riders/exhibit, indicate that they were enforced, provide copies of the documentation of those calls, discuss what information was to be discussed in them or how lengthy the calls were to be, or demonstrate that the information set forth in each such brief could not be obtained without "extraordinary effort from nonconfidential sources." *Starlight Limousine Serv. v Cucinella*, 275 AD2d at 705.

As for pricing information, Shannon does not dispute that it was based on the DoD's daily allowance, set forth any evidence showing that any particular pricing information was

confidential, nor establish any such confidential information was used by defendants. As for budgetary information, although it may be that Penton was a larger company than DSI, several DSI budgets appended to the defendants' papers (*see* Sheppe aff, exhibit D attachments) show that a conference budget is made up of the income from the sponsors and number of delegates, and the expenses for the venue, team travel, food, marketing costs, and various other expected costs related to the conferences, and it is likely that a Penton conference budget was not vastly different. However, even if it were, that would not mean that Penton's conference budgetary information was irrelevant to DSI, because those budgets demonstrated which conferences were successful, vis-a-vis delegate counts and sponsor/vendor income. When Johnson, who had access to Penton's budgetary information and was the lead on DSI's finances, provided Hernandez and McKenzie with Penton's top conferences, he was referring to those which were financially successful, especially because Johnson asked them for any other topic which they thought would be successful. Nevertheless, in light of defendants' entitlement to further discovery on whether Penton took adequate steps to preserve the confidentiality of its information, it cannot, at this point in the action, be determined that Penton's budgetary information was confidential.

B. Non-Poaching Clauses

As to the poaching of Penton employees and former employees, trial-level state and federal courts, observing that there is scant New York case law addressing no-hire provisions and the standards to be applied to them, have concluded that the same standards governing the enforceability of noncompete provisions apply. *See Admarketplace Inc. v Salzman,* 2014 WL 1278504, 2014 NY Slip Op 30813(U) (Sup Ct, NY County 2014), *4; *Lazar Inc. v Kesselring,*

13 Misc 3d 427, 430-431 (Sup Ct, Monroe County 2005); *Reed Elsevier Inc. v Transunion Holding Co., Inc.*, 2014 WL 97317, *6-13, 2014 US Dist LEXIS 2640, *16-36 (SD NY 2014); *Renaissance Nutrition, Inc. v Jarrett*, 2012 WL 42171, *2-6, 2012 US Dist LEXIS 2490, *7-19 (WD NY 2012). Regarding Penton's claims that defendants poached its employees and former employees, it should first be noted that, on this motion, Penton does not assert that any of the DSI founders were poached by the other founders. As to other Penton employees and former employees, who were allegedly poached, Penton has not established when the employment of anyone, other than Kaftanowicz, ceased. Penton, as previously noted, failed to establish when Pillai's employment ended, does not dispute that Agatstein's employment ceased four years before McKenzie's employment ended, and sets forth no evidence establishing when Horowitz and DiNatale's employments terminated. Further, Engelman, Hernandez, and Johnson's non-poaching clauses only ran from when their employment with Penton ceased, not before, and there is no claim here that these three DSI founders solicited anyone after they resigned. In addition, Penton has failed to seek to demonstrate that Johnson, Hernandez, or Engelman, within a year after his resignation, attempted to solicit anyone who was, during the year before that individual left, a Penton delegate, sponsor, or speaker.

McKenzie's non-poaching clause, on the other hand, applied during the term of her contract. However, as to her solicitation of Kaftanowicz, and, for that matter, the solicitation of anyone else, Penton has failed to make the requisite showing of the enforceability of the non-poaching clause as to each of the allegedly poached individuals. Penton has also failed to attempt to demonstrate that McKenzie, while she was its independent contractor or for six months thereafter, solicited anyone who was within a year of the time she terminated her contract

with Penton, a Penton delegate, sponsor, or speaker. Accordingly, the branch of Penton's motion which seeks summary judgment on liability on its non-poaching/solicitation claims, is denied.

Misappropriation/Unfair Competition

Penton's misappropriation of trade secrets cause of action is based on defendants' alleged improper taking, use, and disclosure of Penton's proprietary information, which was not generally known in the industry. Complaint, Count 4.

To demonstrate a misappropriation of trade secrets claim, a plaintiff is required to show that it has a trade secret and that the "defendant is using that trade secret in breach of an agreement, confidence, or duty, or as a result of discovery by improper means." *Integrated Cash Mgt. Servs., Inc. v Digital Transactions, Inc.*, 920 F2d 171, 173 (2d Cir 1990) (internal citation and quotation marks omitted); *Sylmark Holdings Ltd. v Silicone Zone Intl. Ltd.*, 5 Misc 3d 285, 297 (Sup Ct, NY County 2004).

A trade secret is "'any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.'" *Ashland Mgt. v Janien*, 82 NY2d 395, 407 (1993), quoting Restatement of Torts, § 757, comment b. In determining a trade secret claim, one should consider a number or factors, including:

> "'(1) the extent to which the information is known outside of [the] business; (2) the extent to which it is known by employees and others involved in [the] business; (3) the extent of measures taken by [the business] to guard the secrecy of the information; (4) the value of the information to [the business] and [its] competitors; (5) the amount of effort or money expended by [the business] in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others' (Restatement of Torts § 757, comment b)."

Ashland Mgt. v Janien, 82 NY2d at 407.

Whether a claimed trade secret is actually a secret is usually a factual question. *Id.* Conclusory allegations of secrecy are inadequate. *See Business Networks of N.Y. v Complete Network Solutions*, 265 AD2d at 194. Further, a claim for misappropriation of proprietary information will be unsuccessful where the plaintiff fails to demonstrate that it took adequate precautionary steps to make sure that such information stayed a secret. *See generally Edelman v Starwood Capital Group, LLC*, 70 AD3d 246, 249 (1st Dept 2009); *Precision Concepts v Bonsanti*, 172 AD2d 737, 738 (2d Dept 1991).

Penton's unfair competition count is premised on the defendants' alleged misappropriation of Penton's proprietary information as part of a plan to operate a competing company, and on its execution of that plan to further defendants' interest and to undermine Penton's business, thereby harming, and threatening to harm, Penton. Complaint, Count 7.

While unfair competition includes a variety of illegal practices, and has been described "simply as endeavoring to reap where (one) has not sown" (*Roy Export Co. Establishment of Vaduz, Liechtenstein v Columbia Broadcasting Sys., Inc.*, 672 F2d 1095, 1105 [2d Cir 1982], *cert denied* 459 US 826 [1982] [internal quotation marks and citation omitted]), the misappropriation theory of unfair competition, is predicated on the principle that one cannot "misappropriate the results of the skill, expenditures and labors of a competitor ... ." *Electrolux Corp. v Val-Worth, Inc.*, 6 NY2d 556, 567 (1959); *ITC Ltd. v Punchgini, Inc.*, 9 NY3d 467, 477 (2007). Unfair competition claims based upon misappropriation usually involve the "'taking and use of the plaintiff's property to compete against the plaintiff's own use of the same property.'" *ITC Ltd.*, 9NY3d at 478 (citation omitted); *see also Mitzvah Inc. v Power*, 106 AD3d 485, 487

(1st Dept 2013) (evidence raised factual issues supporting claim that defendants unfairly competed by deceptively misappropriating plaintiff's purchased client information, which was not readily known or available, and using it to their business advantage); *Front, Inc. v Khalil*, 103 AD3d 481, 483 (1st Dept 2013) (complaint's allegations that one defendant accessed and forwarded plaintiff's confidential and proprietary information to other defendants, and used that information to divert work from plaintiff to several defendants, sufficient to state claims for misappropriation and unfair competition); *Edelman v Starwood Capital Group, LLC*, 70 AD3d at 249 (an essential element of unfair competition claim is that the parties were "in competition for commercial benefit").

The branches of Penton's motion which seek summary judgment on liability on these two causes of action are denied because, as previously noted, Penton has not fleshed out sufficient evidence on all of the foregoing factors relevant to whether its documents were trade secrets, there is conflicting evidence as to whether they were, and because of the defendants' need for further discovery.

Accordingly, it is

ORDERED that plaintiff's motion is granted solely to the extent that it is granted partial summary judgment, only on liability, on its second cause of action (breach of the duty of loyalty) only against the defendants Keith Johnson, Thomas Engelman, and Luis Hernandez, and the issue of damages shall be determined at trial, which shall be held at a date to later be determined after the completion of discovery, and the plaintiff's motion is, otherwise, denied; and it is further

ORDERED that this case is hereby scheduled for a conference to discuss outstanding discovery on August 21, 2014, at 10:30 a.m., in Part 45, room 218, at 60 Centre Street, Manhattan.

Dated: July 28, 2014

ENTER:

J.S.C.

MELVIN L. SCHWEITZER