24 Seven, Inc. v O'Grady
2016 NY Slip Op 31076(U)
June 9, 2016
Supreme Court, New York County
Docket Number: 652583/15
Judge: Barbara Jaffe
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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK : IAS PART 12

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24 SEVEN, INC.,

Plaintiff,

-against-

KATHLEEN O'GRADY and THE AGENCY WORX, INC.,

Defendants.

----------x

Index No. 652583/15

Motion seq. no. 002

DECISION AND ORDER

BARBARA JAFFE, JSC:

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By notice of motion, defendants move pursuant to CPLR 3212 for an order summarily dismissing the complaint against them. Plaintiff oppose.

I. BACKGROUND

This action arises from defendant O'Grady's alleged misappropriation of trade secrets when she left her employment with plaintiff, a staffing agency, and joined defendant The Agency Worx (Worx), a competing staffing agency. In its July 23, 2015 complaint, plaintiff alleges that O'Grady had violated her employment agreement by "trading on and transmitting" to Worx its confidential information and by soliciting business from its clients. It accuses O'Grady of utilizing "information regarding customer contacts, purchasing history, candidate preference, candidate identity and availability pricing, [and] margins," and providing the names of its candidates to Worx and soliciting business for Worx from its clients. It advances causes of

action for breach of contract and breach of fiduciary duty against O'Grady, and for misappropriation of trade secrets and confidential information, conversion, and injunctive relief against both defendants. (NYSCEF 2).

The following facts are culled from my decision and order dated September 18, 2015, wherein I denied plaintiff's request for injunctive relief:

In December 2002, the parties entered into an employment agreement, the pertinent parts of which follow:

> Agreement Not to Use or Disclose [plaintiff's] Confidential Information
>
> 6. [O'Grady] acknowledges that [plaintiff] has, through expenditure of considerable time and expense over the course of many years, developed extensive confidential and secret information . . . regarding (a) its customers' names, addresses, preferences, seasonal and other business cycles, buying patterns, pricing and discounting, key contact personnel, special requirements, financial and/or contractual relations, job orders, requisitions, bids and bidding practices, and related information; (b) it[s] applicants or candidates, including their names, home telephone numbers, addresses, skills, abilities, test results, evaluations, work history, pay rates, and related polices . . . .
>
> . . . .
>
> 9. Accordingly, during [O'Grady's] employment by [plaintiff], and for a period of twenty four months (24) after such employment ends for any reason, [O'Grady] promises and agrees, . . . not [to] copy, disclose, use, reproduce, sell, remove from the premises or make available to any other person or entity[, or] [u]se for [her] own benefit, any portion of the Confidential Information . . . .
>
> . . . .
>
> Agreement Not to Solicit or Accept Business From Customers of [plaintiff]
>
> 11. During [O'Grady's] employment by [plaintiff], and for a period of eighteen (18) months after such employment ends for any reason, [O'Grady] promises and agrees not to initiate communications with, telephone, send announcements to, correspond with, contract or solicit any person or firm which was a customer of [plaintiff] at any time during [O'Grady's] employment, or seek to have any such customer divert its patronage, in while [sic] or in part, from [plaintiff] to any other person or firm, or otherwise seek in any way to interfere with the business

relationship between [plaintiff] and any of its customers.

(2015 WL 5578266 [Sup Ct, New York County 2015]; NYSCEF 27). An employee handbook furnished to O'Grady by plaintiff also includes a nondisclosure provision. Plaintiff gave O'Grady access to a password-protected database for managing its inventory of candidates and clients, which terminated following her departure in January 2015. (*Id.*).

A month or so after O'Grady's departure from plaintiff, Alicia Fazio, also a former employee of plaintiff, and one Amanda Levit formed Worx, after which the two contacted two of plaintiff's clients. Fazio then contacted another of plaintiff's candidates, who thereby connected with Fazio in April 2015. O'Grady was hired by Worx in May 2015. Later that month, one of plaintiff's former candidates uploaded her resume to Worx and met with Fazio, after which O'Grady found her a position. At around the same time, Levit reached out to another of plaintiff's candidates. (*Id.*).

Following my September 2015 decision, defendants interposed an answer and plaintiff served discovery demands, including requests for, *inter alia*, all documents and communications pertaining to the conditions of O'Grady's employment and hiring at Worx, her job duties at Worx, her separation from plaintiff, her subsequent job search, and any contact she had with plaintiff's candidates and clients, as well as a request to inspect any Worx computer used or accessed by O'Grady during her employment. (NYSCEF 28-29, 64-66).

Defendants filed this motion in lieu of responding to plaintiff's demands. (NYSCEF 30).

II. CONTENTIONS

Defendants deny that any of the three job candidates and four business clients they contacted had an exclusive relationship with plaintiff. They also maintain that as information

about all of the candidates and clients is publicly available, their identities do not constitute trade secrets, and that there is nothing proprietary about plaintiff's database. Defendants argue that the nondisclosure and nonsolicitation clauses of O'Grady's employment agreement with plaintiff are unenforceable because they are overly broad and unnecessary to protect plaintiff's legitimate business interests, that plaintiff's claim of a breach of fiduciary duty fails absent a demonstration of the existence or misappropriation of trade secrets, and that the conversion claim fails absent any indication that plaintiff was deprived of tangible property. As plaintiff was denied a preliminary injunction, they argue, its claim for a permanent injunction should likewise fail. (NYSCEF 31).

Defendants offer the affidavit of O'Grady, who attests that there is nothing secret about plaintiff's candidates, clients, and recruiting methods, that when she left plaintiff's employ, she took nothing with her, and that plaintiff's alleged confidential database was common software used by many in the industry, including Worx. She claims that one candidate reached out to Worx on her own and denies communicating with her until she was signed by Worx. She claims that another candidate also initiated contact with Worx, and that Fazio reached out to a third candidate with whom she already had a relationship. Defendants provide professional networking website printouts which they claim show that, as of October 5, 2015, all of the candidates' contact information and resumes were publicly available. (NYSCEF 32, 42-44).

O'Grady also denies soliciting plaintiff's clients and asserts that two of the allegedly poached clients were never Worx clients, that any contact with the remaining clients was initiated by Levit and/or Fazio before she was hired at Worx, and to the extent she or Worx knew anything about the clients, the information was publicly available. Defendants submit additional

website printouts which they claim prove that client information was publicly available, along with internet search queries evidencing the ease of access. Levit and Fazio, in their respective affidavits, attest to same. (NYSCEF 32-34, 45-57).

In response, plaintiff contends that to the extent it lacks proof to substantiate its claims or oppose defendants' motion, discovery is necessary, and that the pertinent facts are exclusively within defendants' knowledge. (NYSCEF 62).

In reply, defendants observe that plaintiff offers no affidavits or documentary evidence to oppose their motion, and that it thereby fails to raise triable issues. They argue that absent any specification of what discovery might reveal, plaintiff's outstanding discovery demands amount to a fishing expedition calculated to give it an advantage in the market, and in any event, no amount of discovery would change the fact that the information at issue is not a trade secret. To the extent discovery would help plaintiff, they argue, it is in sole possession of the pertinent evidence. Defendants reiterate their remaining contentions. (NYSCEF 67).

III. ANALYSIS

A. Applicable standard

To prevail on a motion for summary judgment dismissing a cause of action, the proponent must establish, *prima facie*, its entitlement to summary judgment as a matter of law, providing sufficient evidence to demonstrate the absence of any triable issues of fact. (*Jacobsen v New York City Health & Hosps. Corp.*, 22 NY3d 824, 833 [2014]; *Oddo v Queens Vil. Comm. for Mental Health for Jamaica Community Adolescent Program, Inc.*, 135 AD3d 211, 217 [1st Dept 2015]). If the moving party meets this burden, the opponent must offer evidence in admissible form to demonstrate the existence of factual issues that require a trial, as "mere conclusions, expressions

of hope, or unsubstantiated allegations or assertions are insufficient." (*Amatulli v Delhi Constr. Corp.*, 77 NY2d 525, 533 [1991]; *McGinley v Mystic W. Realty Corp.*, 117 AD3d 504, 505 [1st Dept 2014]). The identification of gaps in the opposing party's proof does not establish entitlement to summary judgment. (*Koulermos v A.O. Smith Water Prods.*, 137 AD3d 575, 576 [1st Dept 2016]; *Vaughn v Veolia Transp., Inc.*, 138 AD3d 979, 2016 NY Slip Op 02985, *2 [2d Dept 2016]).

Pursuant to CPLR 3212(f), the court may deny a motion for summary judgment as premature if the party opposing summary judgment sets forth an evidentiary basis for finding that further discovery "might lead to relevant evidence or that the facts essential to justify opposition to the motion [are] in the exclusive knowledge and control of the moving party." (*Rodriguez v Gutierrez*, 138 AD3d 964, 2016 NY Slip Op 02979, *4 [2d Dept 2014]).

B. Misappropriation of trade secrets

In New York, a trade secret is "any formula, pattern, device or compilation of information" used in one's business and which affords the businessperson "an opportunity to obtain an advantage over competitors who do not know or use it." (*Ashland Mgt. Inc. v Janien*, 82 NY2d 395, 407 [1993], *quoting* Restatement of Torts § 757, Comment *b*; *Mann ex rel. Akst v Cooper Tire Co.*, 33 AD3d 24, 31 [1st Dept 2006], *lv denied* 7 NY3d 718). Factors considered in determining whether information constitutes a trade secret include:

> (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.

(*Schroeder v Pinterest Inc.*, 133 AD3d 12, 27 [1st Dept 2015], *citing Ashland Mgt. Inc.*, 82 NY2d

at 407 [alterations in original]).

Client identities that are "ascertainable outside the employer's business as prospective users or consumers of the employer's services or products" do not constitute trade secrets. Thus, where customers are not known in the trade and are discoverable "only by extraordinary efforts . . . effected by the expenditure of substantial time and money," their identities constitute trade secrets. (*Leo Silfen, Inc. v Cream*, 29 NY2d 387, 392-394 [1972]; *1 Model Mgt., LLC v Kavoussi*, 82 AD3d 502, 503 [1st Dept 2011] [applying *Silfen* rule to candidate contact information]).

Defendants establish, *prima facie*, that the candidate and client information at issue was readily ascertainable through public sources, given that all of the candidates' identifies and their pertinent qualifications were publicly accessible on professional networking websites, and that the client information was similarly accessible with little effort. (*See Schroeder*, 133 AD3d at 28-29 [on CPLR 3211 motion, information readily ascertainable on plaintiff's public website deemed unprotected trade secret and thus limited plaintiff's misappropriation claim accordingly]; *Fada Intl. Corp. v Cheung*, 57 AD3d 406, 406 [1st Dept 2008] [no trade secret protection for customer lists where customers were ascertainable outside employer's business "as prospective users or consumers of the employer's products," warranting summary dismissal]; *Marietta Corp. v Fairhurst*, 301 AD2d 734, 738-739 [3d Dept 2003] ["knowledge of the intricacies of a business" did not constitute trade secret]). Moreover, while not dispositive, as defendants fail to allege that plaintiff did not sufficiently guard the information contained in its database, it is irrelevant that the database was neither proprietary nor used exclusively by plaintiff. (*Cf. Hair Say, Ltd. v Salon Opus, Inc.*, 6 Misc 3d 1041[A], 2005 NY Slip Op 50382[U], *5 [Sup Ct,

Nassau County 2005] [as plaintiff's "entire staff" had access to all or part of customer list, and "(l)ittle was done to protect the list or restrict access," lists found not to be trade secrets]).

Thus, the candidate and client information does not constitute a trade secret as a matter of law. Moreover, O'Grady denies that she took anything from plaintiff during or after her employment, and she asserts that her access to plaintiff's database was terminated upon her departure. As plaintiff does not dispute defendants' proof, it fails to raise a triable issue.

C. Conversion and breach of fiduciary duty claims

"Conversion is the unauthorized assumption and exercise of the right of ownership over another's property to the exclusion of the owner's rights." (*Lemie v Lemie*, 92 AD3d 494, 497 [1st Dept 2012], *citing Thyroff v Nationwide Mut. Ins. Co.*, 8 NY3d 283 [2007]). To prove conversion, the plaintiff must demonstrate that the defendant failed to return the plaintiff's property upon demand. (*J Squared Software, LLC v Bernette Knitware Corp.*, 48 AD3d 351, 351 [1st Dept 2008]; *Mauro v Andrews*, 200 AD2d 392, 393 [1st Dept 1994], *lv denied* 83 NY2d 757). "The subject matter of a conversion claim must constitute identifiable tangible personal property," which may include documents stored electronically. (*Volodarsky v Moonlight Ambulette Serv., Inc.*, 122 AD3d 619, 620 [2d Dept 2014] [internal quotation marks omitted]).

Here again, defendants demonstrate that O'Grady did not deprive plaintiff of any tangible property during or after her employment, that her access to plaintiff's database was terminated following her departure, and that to the extent she retained information about candidates' or clients' identities, it was not property that may be the subject of a claim of conversion. Thus, plaintiff's conversion claim fails. (*See Artalyan, Inc. v Kitridge Realty Co., Inc.*, 52 AD3d 405, 406 [1st Dept 2008] [summary dismissal of conversion claim as record was "devoid of evidence

that (defendants) had control or dominion over plaintiffs' property"]; *see also ARB Upstate Communications LLC v R.J. Reuter, L.L.C.*, 93 AD3d 929, 932 [3d Dept 2012] [while funds and client lists could serve as basis for conversion claim, "business opportunities" could not]).

Having demonstrated that the candidate and client information does not constitute trade secrets (*supra*, III.B.), and as defendants establish that O'Grady retained no information, plaintiff's claim of a breach of fiduciary duty also fails (*cf. Leo Silfen, Inc.*, 29 NY2d at 391-392 ["If there has been a physical taking or studied copying, the court may in the proper case enjoin solicitation, not necessarily as a violation of a trade secret, but as an egregious breach of trust and confidence . . . ."]). As plaintiff has, in effect, conceded the material facts, it fails to raise a triable issue.

D. Breach of restrictive covenants

Given the foregoing, and for the same reasons set forth in my September 2015 decision, namely, that the restrictive covenants are either overly broad or unenforceable absent a finding that the information at issue constituted trade secrets (*supra*, I.A.), defendants establish that plaintiff's breach of contract claims fail as a matter of law. To the extent plaintiff alleges O'Grady breached the employee handbook, as explained in my prior decision, I decline to enforce it. (2015 WL 5578266, *6).

E. Permanent injunction

As all of plaintiff's substantive claims fail, so too must its claim for injunctive relief based thereon. (*See generally Weinreb v 37 Apts. Corp.*, 97 AD3d 54, 59 [1st Dept 2012] ["Although it is permissible to plead a cause of action for a permanent injunction, . . . permanent injunctive relief is, at its core, a remedy that is dependent on the merits of the substantive claims

asserted."]).

F. Further discovery

Absent any specification of facts exclusively within defendants' possession necessary to oppose their motion, plaintiff may not rely on CPLR 3212(f), particularly where, as here, plaintiff does not challenge the facts set forth in defendants' affidavits. (*See Merisel, Inc. v Weinstock*, 117 AD3d 459, 460 [1st Dept 2014] [denial of summary judgment based on CPLR 3212(f) inappropriate absent allegation of what additional information "poached" employees might possess or challenge to veracity of supporting affidavits]).

Moreover, plaintiff's allegation that its outstanding discovery requests may reveal evidence supporting its claims is fatally speculative. In any event, further discovery is unlikely to alter the determination that the information in issue does not constitute trade secrets, given that contrary evidence would be in plaintiff's sole possession as it, not defendants, allegedly stored and secured customer contacts, purchasing history, candidate preference, candidate identity and availability pricing, and margins. (*See Roessel Cine Photo Tech Inc. v Kapsalis*, 1997 WL 377981, *7 [Sup Ct, New York County 1997] [as plaintiffs provided insufficient evidence that information in issue constituted trade secrets, further discovery "would not correct these omissions since such evidence is solely within plaintiffs' control"]; *see also Downey v Schneider*, 23 AD3d 514, 517 [2d Dept 2005] [CPLR 3212(f) inappropriate where request for additional discovery "was not calculated to develop any additional information relevant" to plaintiff's claim and could thus be characterized as fishing expedition]; *Marshall v Colvin Motor Parks of Long Is., Inc.*, 140 AD2d 673, 674 [2d Dept 1988] [plaintiff's assertion that it should have opportunity to develop documentary evidence concerning validity of note relied on mere speculation]).

IV. CONCLUSION

Accordingly, it is hereby

ORDERED, that defendants' motion for an order summarily dismissing the complaint is granted, and the complaint is dismissed in its entirety with costs and disbursements to defendants as taxed by the Clerk upon submission of an appropriate bill of costs.

ENTER:

Barbara Jaffe, JSC

DATED: June 9, 2016
New York, New York