

To commence the statutory time period of appeals as of right (CPLR 5513(a)), you are advised to serve a copy of this order, with notice of entry, upon all parties.

FILE AND ENTERED
ON 7-22 2003
WESTCHESTER
COUNTY CLERK

**SUPREME COURT OF THE STATE OF NEW YORK
COMMERCIAL DIVISION, WESTCHESTER COUNTY**

Present: **HON. KENNETH W. RUDOLPH**
Justice.

-----X

LAKE GROUP MEDIA, INC. and NAMES IN
THE NEWS, INC.,

:Index No. 5392/03
Motion Date: May 2, 2003

Plaintiffs,

-against-

: DECISION

PATRICIA H. CRYSTAL and LIST ADVISOR,
INC.,

Defendants.

-----X

The following papers numbered 1 to 30 were read on this motion by plaintiffs pursuant to CPLR 6301 to (a) restrain and enjoin defendants from maintaining, possessing, using, disclosing, disseminating or publishing plaintiffs' trade secrets, confidential and/proprietary information; (b) mandating defendants to immediately return to plaintiffs any and all trade secrets, confidential and/or proprietary information belonging to plaintiffs; and (c) enjoining defendant Crystal from employment in direct competition with plaintiffs within the Prohibited Territory and time limits set forth in the Employee Confidentiality, Invention and Non-Compete Agreement entered into between defendant Crystal and plaintiffs on November 17, 1994.

PAPERS NUMBERED

Order to Show Cause-Affirmation-Affidavits-Exhibits	1-13
Answering Affidavits-Exhibits	14; 15-22; 23; 24; 25
Replying Affidavits	26
Memoranda of Law	27-30

Upon the foregoing papers, it is ORDERED that this motion is denied.

Plaintiff Lake Group Media Inc (hereinafter "Lake Group") is a direct mail marketing company which is engaged in the business of acting as broker and manager of direct mail planning for various companies in order to reach new customers. Lake Group obtains the mailing lists from third parties and rents the lists or parts thereof to its clients. Plaintiff Names in the News Inc. is a subsidiary of Lake Group.

Defendant Patricia H. Crystal (hereinafter "Crystal") was employed by plaintiffs for 24 years and was Senior Vice President with oversight of the brokerage division of the company. She worked primarily in the publishing industry evaluating potential sources of readers for the clients assigned to her and recommended mailing lists the clients could consider renting. She resigned on March 31, 2003, without prior notice, and is currently employed by defendant List Adviser, Inc. (hereinafter "List Advisor") which is a competitor of plaintiffs. Crystal had secured such new employment with List Advisor immediately prior to leaving plaintiffs' employment.

Plaintiffs allege that when Crystal left she took confidential materials and customer lists with her in violation of an Employee Confidentiality, Invention and Non-Compete Agreement entered into between Crystal and plaintiffs on November 17, 1994 (hereinafter "Agreement"). Plaintiffs allege that immediately before she left Crystal had received requests and was working on client Recommendations for clients' direct marketing needs, which provide the client with necessary information gathered by plaintiffs through plaintiffs' marketing expertise, relationships, resources and expense to assist in increasing the client's circulation. The clients use the Recommendations to provide them with a population that they can target to increase their circulation. Plaintiffs allege that the Recommendations would result in orders being placed at the end of March and beginning of April, one of the industry's busiest seasons, and that the orders are filled in June. Many clients' requests are sent to plaintiffs by e-mail and are required to be saved on the company's computer systems and plaintiffs allege that this information is critical to client relationships since it is compared with historical information already provided to the client during previous requests. Plaintiffs allege that Crystal had many "high-end" clients and that when she left, she took much of the work she had performed. Specifically plaintiffs allege that hard copies of Recommendations that had already been printed could not be found and many e-mails were deleted from her system, which were retrieved only through extensive efforts and expense. Upon contacting some of Crystal's client contacts, plaintiffs were informed that Crystal had provided the requested materials and that they would continue to deal directly with Crystal although she was no longer employed by plaintiffs, e.g. Time, Inc. (Teen People). Plaintiffs further allege that although historical information regarding Teen People is in the computer, all recent materials, including its recent

request for materials placed prior to Crystal's departure, are completely missing. Plaintiffs assert that numerous other clients have been contacted and probably stolen by Crystal and that the majority of these clients, which would generate revenue of approximately \$300,000-\$350,000, have indicated that they would probably remain with Crystal since she was familiar with their accounts and current needs and had already provided them with their Recommendations, which Crystal had worked on during her employment while she was also planning her departure. Plaintiffs allege that one of its clients, Primedia, advised that Crystal had called on the evening of the day she terminated her employment with the firm as well as the following morning, soliciting their business. Primedia indicated that although Crystal had already begun working on their mailing plan and other requested materials, they would remain with Lake Group, and plaintiffs allege that only then did Crystal remain the mailing plan worked on while employed with plaintiffs to another broker at Lake Group. Plaintiffs allege that these materials should have been in the plaintiffs' files in hard copy and on the computer but could not be located and allege that Crystal deleted her work from the company files and kept the materials until she was rebuffed by Primedia. Defendant Crystal denies that she took or destroyed any files or confidential information and asserts that most of the information plaintiff claims to be confidential is available on websites, including plaintiff's own website, from competitors and their websites and from trade associations and journals.

Plaintiffs seek a preliminary injunction restraining and enjoining defendants from maintaining, possessing, using, disclosing, disseminating or publishing plaintiffs' trade secrets, confidential and/or proprietary information, mandating defendants to return all such information belonging to plaintiffs and enjoining defendant Crystal from employment in direct competition with plaintiff pursuant to the Employee Confidentiality, Invention and Non-Compete Agreement.

In the agreement Crystal agreed that she would not

"...at any time during or subsequent to the period of my employment...directly or indirectly disclose or use...or otherwise procure any other...entity, directly or indirectly to...use,, any Confidential Information, as that term is defined below...whether such Confidential Information is in my memory or embodied in writing or other physical form, and whether or not developed by me in connection with my employment or by others. Confidential Information means any and all information which is not generally known and which is a trade secret of or about or confidential

or proprietary to, the Employer or its affiliates or their customers, consultants, suppliers...(Paragraph 2)

The Agreement also provided that Crystal would not

"...remove or cause to be removed any Confidential Information from any premises of Employer or its Affiliates...and that upon termination of my employment...I shall promptly deliver to Employer all files, records, lists, surveys, studies, documents...and all copies thereof, and all Confidential information or other materials of a secret or confidential nature..." (Paragraph 2)

Crystal also agreed that for a period of one year following termination of her employment she would not, without prior written consent of plaintiff,

"engage or participate anywhere in the Prohibited Territory...as...employee...in the conduct or management of any business which competes without or is substantially similar to the business carried on...by the Employer..."

The prohibited territory was New York, New Jersey, Connecticut, Massachusetts and Pennsylvania.

Crystal further agreed that she would not

"for myself or for any other person, firm, corporation or entity, solicit divert, or accept or attempt to solicit, divert or accept the trade or patronage of any of the former or existing customers of the Employer or its Affiliates..including those customers secured by me or for whom I had significant authority. (Para. 4[i] and [iii]).

Finally, the agreement provided that any violation of the agreement would cause irreparable damage to the employer for which remedies at law would be inadequate and that in the event of violation of the agreement, the employer would be entitled to temporary, preliminary and other injunctive relief against her.

Although plaintiffs initially sought to enjoin Crystal from employment in competition with plaintiffs within the prohibited territory (New York, New Jersey, Connecticut, Massachusetts and Pennsylvania) for the one-year period set forth in the agreement, in their reply papers plaintiffs have limited

this request so as to permit her to work for any competitor located more than a 50-mile radius from Rye, New York, where the company offices are located, and do not object to her servicing of those clients that she originated herself while employed by plaintiffs, but do seek to prevent her from servicing those clients that are "house accounts" i.e. Primedia, The Economist, Harvard Business Review, Consumer Health Publishing Group, National Review, Washington Post Company and Reason Magazine.

It is well settled that in order to be entitled to the drastic remedy of a preliminary injunction, the movant must establish the likelihood of his ultimate success on the merits, irreparable injury in the absence of the granting of the preliminary injunction, and a balancing of the equities in his favor (Paine & Chriscott v. Blair House Associates, 70 AD2d 571; Tucker v. Toia, 54 AD2d 322; Albini v. Solork Associates, 37 AD2d 835). It is only upon the clearest evidence and only when required by urgent circumstances that a preliminary injunction will be granted which, in effect, will award the movant the identical relief which is sought by final judgment (see Allied-Crossroads Nuclear Corp. v. Altcor Inc. 25 AD2d 643).

The burden of establishing an undisputed right to a preliminary injunction on the law and on the facts rests upon the movant and in the absence of a clear right to the relief demanded, injunctive relief "should not be granted until the issues have been fully explored and the entire matter resolved after plenary trial." (Town of Southeast v. Gonnella, 26 AD2d 550).

"[A]n express anticompetitive covenant... will be rigorously examined and specifically enforced only if it satisfies certain established requirements (cites omitted). Indeed, a court normally will not decree specific enforcement of an employee's anticompetitive covenant unless necessary to protect the trade secrets, customer lists or good will of the employer's business, or perhaps when the employer is exposed to special harm because of the unique nature of the employee's services (cites omitted). And, an otherwise valid covenant will not be enforced if it is unreasonable in time, space or scope or would operate in a harsh or oppressive manner (cites omitted). There is, in short, general judicial disfavor of anticompetitive covenants contained in employment contracts (cites omitted)." (American Broadcasting Co. v. Wolf, 52 NY 394, 403 - 404).

"The modern, prevailing common-law standard of reasonableness for employee agreements not to compete applies a three-pronged test. A restraint is reasonable only if it: (1) is no greater than is required for the protection of the legitimate interest of the employer, (2) does not impose undue hardship on

the employee, and (3) is not injurious to the public (cites omitted). A violation of any prong renders the covenant invalid. New York has adopted this prevailing standard of reasonableness in determining the validity of employee agreements not to compete. 'In this context a restrictive covenant will only be subject to specific enforcement 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' (Reed, Roberts Assocs. v Strauman, 40 NY2d 303, 307). In general, we have strictly applied the rule to limit enforcement of broad restraints on competition. Thus, in Reed, Roberts Assocs. (supra), we limited the cognizable employer interests under the first prong of the common-law rule to the protection against misappropriation of the employer's trade secrets or of confidential customer lists, or protection from competition by a former employee whose services are unique or extraordinary (cite omitted)." (BDO Seidman v. Hirshberg, 93 NY2d 382, 388 - 389).

Plaintiffs contend that their customer lists as well as the information that plaintiffs have maintained as to their customer lists in the form of past history are trade secrets and confidential information.

"Solicitation of an entity's customers by a former employee or independent contractor is not actionable unless the customer list could be considered a trade secret, or there was wrongful conduct by the employee or independent contractor, such as physically taking or copying files or using confidential information (cites omitted)." (Starlight Limousine Service, Inc. v. Cucinella, 275 AD2d 704 - 705). "[A] trade secret must first of all be secret" (cites omitted)." (Id.) Further, notwithstanding the expenditures of time and money in compiling a customer list, if this type of information can be acquired with no extraordinary effort from nonconfidential sources it is not entitled to trade secret protection. (Id.) "Knowledge of the intricacies of a business operation does not necessarily constitute a trade secret and absent any wrongdoing it cannot be said that a former employee 'should be prohibited from utilizing his knowledge and talents in this area.' (Cites omitted). Nor will trade secret protection attach to customer lists where such customers are readily ascertainable from sources outside the former employee's business (cites omitted) unless the employee has engaged in an act such as stealing or memorizing his employer's customer lists (cite omitted). Similarly, an employee's recollection of information pertaining to specific needs and business habits of particular customers is not confidential (cites omitted)." (Walter Karl., Inc. v. Wood, 137 AD2d 22, 27).

In this case, the client lists developed by plaintiffs are not trade secrets or confidential information. According to defendant, which is not denied by plaintiff, customer lists are readily available on plaintiffs' and competitors own web sites, where they set forth a list of their customers, and are also readily available from trade organizations that publish such lists. Client history indicating what orders have been placed in the past seems to be a compilation of information which would be provided by the client to any other mailing list broker providing services to it. According to Crystal, many of plaintiffs' clients use multiple list brokers and provide the same information to them as is provided to plaintiffs. (See e.g. Walter Karl, Inc. V. Wood, id, Amand Express International, Ltd., V. Pier Air International, Ltd., 211 AD2d 606).

Further, in this Court's opinion, the scope of the restrictions and the geographical and time limitations in the agreement are unreasonable (see e.g. Reed Roberts Assocs. supra; and BDO Seidman V. Hirshberg, supra); and although Crystal held a responsible position, her services were not unique.

Plaintiff alleges that it cannot locate certain records maintained by it and asserts that these were taken by Crystal. Crystal denies taking any such information. She asserts that all work was done on her computer at work or at home and all client work materials were maintained primarily on the office computer where she also worked. She states that she did not in all cases print hard copies of Recommendations and all client information and Recommendations should still be on the computer files. She did delete e-mails asserting that most were either personal, spam, or pertained to completed business matters of clients. She admits that she has files on her home computer as well as several hard copy reports, and at the direction of her counsel is arranging to either print hard copy documents of everything on that computer or put the information on a disk which will be provided to plaintiff's attorneys. She asserts all of these files relate to completed projects and none pertains to current business matters. She asserts that although she was in the process of working on mail plans for Primedia at the time she left plaintiffs' employment, she e-mailed the entire Primedia file from her computer at home to another person as Lake Group.

While these allegations and assertions by both parties with regard to taking of files or other materials may raise a factual issue, this does not necessarily require a hearing. See CPLR 6312(c); Siegel, New York Practice, 3rd Ed., §328.

Based on all of the above, plaintiffs have not demonstrated the likelihood of success, balancing of the equities

in their favor, or irreparable injury, and the motion for preliminary injunction is therefore denied.

The foregoing constitutes the Decision and Order of this Court.

Dated: White Plains, New York

July 21, 2003

ENTER,



HON. KENNETH W. RUDOLPH
Justice of the Supreme Court

TO:

JAMES S. MORRIS, ESQ.
Attorney for Plaintiffs
Westchester Financial Center
50 Main Street, Suite 405
White Plains, New York 10606

MEYER, SUOZZI, ENGLISH & KLEIN, P.C.
Attorneys for Defendant
PATRICIA H. Crystal
1505 Kellum Place
Mineola, New York 11501

SOLOMON RICHMAN GREENBERG P.C.
Attorneys for Defendant
LIST ADVISOR, INC.
3000 Marcus Avenue
Lake Success, New York 11042

KURZMAN KARELSEN & FRANK, LLP
Attorneys for Plaintiffs
230 Park Avenue
New York, New York 10169