

ELDRE CORPORATION,

Plaintiff,

DECISION AND ORDER

v.

Index #2007/10641

SC TECHNOLOGIES, INC.,  
CRAIG BADER, and SCOTT BADER,

Defendant.

---

Plaintiff, Eldre Corporation, moves by order to show cause for an order enjoining and restraining defendants, and any persons or entities acting in concert with or on behalf of them, during the pendency of this action, from: (1) disclosing or licensing or otherwise transferring ownership of the Invention identified in Patent Application Number 11/670,828, or any rights thereon, to any entity or person; (2) disclosing any trade secrets and/or confidential information of plaintiff, including the manufacturing processes, efficiencies and inefficiencies thereof, and quality control information, to any person or entity; and (3) providing services to, or accepting employment with, any business that designs and/or manufactures laminated busbars, other than plaintiff.

Eldre Corporation is a designer and manufacturer of power distribution components for electronic equipment in all modes of transportation, industrial electronics, medical electronics, and

data processing. Eldre's principal product line focuses on laminated busbars used for power distribution. See Affidavit of Harvey Eldre dated August 16, 2007, ¶2. Defendant Craig Bader began working for Eldre as a tool and die and pressroom manager in 1971. Id. at ¶3. In 1973, Craig Bader left Eldre for other employment opportunities but returned to Eldre on October 13, 1977 and worked for Eldre in some capacity until May 8, 2007 when he terminated his relationship with Eldre. Id.

Craig Bader alleges that he has worked in the tool and die business his entire life: first in his father's employ, then in his own business, and then with Eldre. Affidavit of C. Bader, ¶2. Even when working with Eldre, Craig Bader states he continued to operate his own tool and die business with Eldre's knowledge. Id. at ¶8. Craig Bader alleges that his knowledge in the field was gained through experience, as he possesses no engineering degree, or formal engineering education and training. Id. at ¶10.

Plaintiff contends that Craig Bader was Eldre's "most critical and knowledgeable employee for both designing and manufacturing busbars," and was responsible for the Engineering Department for much of his tenure, as well as holding the title of Manager of Technical Services, Chief Engineer, and Director of Engineering. See Affidavit of Harvey Eldre dated August 16, 2007, ¶3. Plaintiff alleges Craig Bader was "intimately

knowledgeable about most, if not all, of the Company's trade secrets and was directly involved with the development of many of them." Id. Over the years he worked at Eldre, Craig Bader was involved with several new inventions and is the named patent inventor on patents assigned to Eldre in four instances. Id. at ¶4. Craig Bader avers that his duties at Eldre did not require him to create inventions, and that he never had any official "inventing" duties. See Affidavit of C. Bader, ¶12.

Plaintiff alleges that, on January 19, 1995, Craig Bader signed a Confidentiality and Non-Competition Agreement with plaintiff, containing a non-competition clause and a provision providing that any inventions he created belonged to Eldre. Craig Bader alleges that when the document was presented to him in 1995, he had already been in Eldre's employ since 1977. Id. at ¶17. Further, Craig Bader states that the agreement as presented was not satisfactory to him, so he did not sign it. Rather, he reviewed it, made several substantive changes (which he initialed), and added a rider. Id. The copy of the Agreement submitted to the court by plaintiff reveals that Eldre never counter-initialed several of the changes (although it did counter-initial some), and that Eldre did not sign the attached rider Id. at ¶¶17-18.

Plaintiff alleges that, in late 2004, Craig Bader approached Eldre about altering his compensation arrangement. See Affidavit

of Harvey Eldre dated August 16, 2007, ¶5. These arrangements were made between Craig Bader and Tom Guiliano, Vice President of Eldre. Mr. Guiliano states that Craig Bader told him that "SC Technologies owed him a significant sum of money and that he was never going to get that money back. He asked if SC Technologies could invoice Eldre and if the compensation Eldre pays to him could be paid to SC Technologies on these invoices." Affidavit of Thomas Guiliano dated August 16, 2007, ¶3. Plaintiff agreed to accommodate that request, and "[t]he hourly rate to be charged for Bader's time was calculated to include his salary, bonus, vacation time, car allowance, gas allowance and essentially all aspects of his prior compensation." Id. at ¶4.

Craig Bader, however, alleges that the parties agreed he would resign his position. See Affidavit of C. Bader, ¶¶20-21. Indeed, Craig Bader attaches to his papers a copy of the email he sent to Harvey Erdle, Lee Moss, and Tom Guiliano, officers of Eldre, officially resigning his position. Id. at ¶22, Exhibit B. Following his resignation, Craig Bader alleges he performed duties for Eldre as an independent contractor through SC Technologies. Id. at ¶¶22-23. To prove that he was no longer employed by Eldre, and that instead he was an independent contractor, Craig Bader points to the fact that he was required to provide proof of worker's compensation and commercial liability insurance through SC Technologies; that he was provided

with a Service Agreement to sign covering the relationship (the copy of the agreement provided to the court is not executed by either party); that he billed Eldre for his services through SC Technologies; and that he no longer took part in employment functions at Eldre or has access to certain employment benefits (such as meetings, office parties, monthly bonus cards ). Id. at ¶¶24-33. Craig Bader also submits to the court a copy of a letter sent to him by Harvey Erdle in April 2005, in which Mr. Erdle refers to Craig Bader as "a former employee." Id. at ¶35, Exhibit F.

The instant dispute arose over an invention alleged to have been developed by the Bader defendants. Both sides agree that the invention would significantly impact Eldre's processes and is a novel idea by which bushings can be attached to a busbar in a simplistic and cost-effective way.

Eldre asserts that co-defendant Scott Bader, Craig Bader's son, could not be the co-inventor of the subject invention and that such a claim is unbelievable. See Affidavit of H. Erdle dated August 16, 2007, ¶17. Plaintiff alleges that Scott Bader lacks the experience and education to have been involved with this invention. Id. Defendants, however, claim that, to the contrary, it was Scott Bader who came up with the original idea for the invention. See Affidavit of C. Bader, ¶39; Affidavit of S. Bader, ¶11. Scott Bader alleges that he did nothing to

develop his idea until 2006, and that his father, likewise, did not participate in the development of this idea until that time. See Affidavit of S. Bader, ¶¶14-15.

*Plaintiff's Reply Papers*

In its reply papers, plaintiff raised several new facts and circumstances affecting this case for the first time. “The function of reply papers is to address arguments made in opposition to the position taken by the movant and not to permit the movant to introduce new arguments in support of, or new grounds or evidence for the motion.” Kennelly v. Mobius Realty Holdings LLC, 33 A.D.3d 380, 381 (1<sup>st</sup> Dept. 2006), quoting Dannasch v. Bifulco, 184 A.D.2d 415, 417 (1<sup>st</sup> Dept. 1992). See also, Seefeldt v. Johnson, 13 A.D.3d 1203, 1203-04 (4<sup>th</sup> Dept. 2004). It has further been stated:

This rule is generally employed in the context of summary judgment motions to prevent a movant from remedying basic deficiencies in its prima facie showing by submitting evidence in reply, thereby shifting to the non-moving party the burden of demonstrating the existence of a triable issue of fact at a time when that party has neither the obligation nor the opportunity to respond.

Kennelly, 33 A.D.3d at 381. It is important to note, however, that, although the introduction of new evidence and argument in reply is inappropriate, the rule against such a submission is not inflexible. Id.

Here, upon request of defense counsel, the court exercised

its discretion to remedy this situation by adjourning the original return date and allowing defense counsel an opportunity to submit surreply papers responding to these new facts and arguments.

The new facts and arguments raised in the plaintiff's reply papers are summarized as follows: First, plaintiff's reply refers to an additional, separate agreement between the parties dated May 25, 1995, incorporating some of the changes Craig Bader placed in the January 25, 1995 agreement. A review of this agreement, attached to Harvey Erdle's reply affidavit as Exhibit A, reveals that, while the agreement itself is not signed, signatures for both parties appears after Rider A-3. It further reveals that an explanation from Craig Bader in surreply on this issue is essential. The May 25, 2005 agreement purports to revert to Eldre's original several terms that Craig Bader had specifically changed and initialed in the January 25, 2005 agreement. The May 25, 2005 letter from Mr. Erdle to Craig Bader purporting to change, for example, the two year covenant period to one year is ineffective pursuant to the terms of the May 25, 2005 agreement, which requires changes to the agreement to be a writing signed by both parties (the May 25, 2005 letter from Erdle is not signed by Craig Bader). These discrepancies, in addition to the fact that the alleged May 25, 2005 agreement is not signed anywhere except after the Riders, raises significant

questions.

Harvey Erdle further states in reply that Craig Bader assigned inventions to Eldre on three occasions during his employment in compliance with the agreement. Mr. Erdle submits copies of patents where Craig Bader is listed as an inventor as Exhibits C, D, and E, to his reply Affidavit. For the first time in his reply, Mr. Erdle also references a Confidentiality Agreement and Assignment of Inventions Agreement signed by Craig Bader in 1971.

Of interest is Mr. Erdle's allegations with respect to a reverse engineering project he alleges Craig Bader was involved in during 1998. Mr. Erdle alleges that Craig Bader, along with two other employees (one of whom, Tom Arieno, submits an affidavit attesting to this fact), worked on a reverse engineering project at Mr. Erdle's request to determine if Eldre could invent something to permit bushings to be attached to conductors without brazing or soldering. Mr. Erdle alleges in reply that the invention at issue in this application is simply an extension of the reverse engineering project in which Craig Bader participated in 1998. Mr. Erdle describes the subject invention as "the next step, and a modest but important improvement, over the FCI product" Craig Bader had been asked to reverse engineer in 1998. See H. Erdle Reply Affidavit, ¶21. However, Tom Arieno, an Eldre employee who worked on the reverse

engineering with Craig Bader, stops short of alleging that the subject invention herein bears any similarity to the reverse engineering project.

Defendants' sur-reply papers, which deny participation in the reverse engineering project and the applicability of the May, 1995 agreement, were received shortly before the return date and have been considered.

#### Preliminary Injunction

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

#### *Likelihood of Success*

"[A] likelihood of ultimate success must not be equated with a final determination on the merits." Times Square Books, Inc. v. City of Rochester, 223 A.D.2d 270, 278 (4<sup>th</sup> Dept. 1996). See also Bingham v. Struve, 184 A.D.2d 85 (1<sup>st</sup> Dept. 1992). A likelihood of success does, however, require demonstration of "a prima facie case or cause of action." 13 Weinstein, Korn &

Miller, *New York Civil Practice CPLR*, ¶6301.05[2] at 63-64 (2d ed. 2005) (citation omitted). Such a demonstration “has both a legal sufficiency and an evidentiary adequacy component.” *Id.*

Plaintiff’s complaint herein alleges the following causes of action: (1) against Craig Bader for breach of contract based upon an alleged Confidentiality and Non-Competition Agreement; (2) against all defendants for misappropriation of trade secrets and unfair competition; (3) against Craig Bader for breach of the duty of loyalty; (4) against Scott Bader and SC Technologies for tortious interference with contract based on the Confidentiality and Non-Competition Agreement; (5) against all defendants for conversion; (6) against all defendants for unjust enrichment. Plaintiff has not demonstrated a likelihood of success for several reasons, each of which is discussed below.

### **Agreement**

On the record before the court, Eldre fails to demonstrate a likelihood of success on its contract claims. These claims hinge on (1) whether the 1971 agreement was still extant; (2) whether the parties’ negotiations and exchange of partially executed contract documents in January of 1995 resulted in a binding agreement; and (3) if not, whether the parties’ exchange of partially executed contract documents in May of 1995 resulted in a binding agreement.

Plaintiff fails to show how the 1971 agreement can aid it in

this litigation. Although fully executed, Craig Bader left Eldre's employment in 1973 when he took a job at Kodak, and, according to the complaint, did not return to Eldre until 1977, well over the one year post-employment term of the 1971 non-compete. There is no contention that his return to Eldre was accompanied by any employment or confidentiality agreements, and the question of whether such agreements should be executed does not appear to have come up except in connection with the January and May 1995 negotiations. Accordingly, plaintiff fails to show a likelihood of success on any claim that the 1971 agreement, which is nowhere referenced in the complaint, provides any aid to plaintiff. Nor does Erdle's "belief" that Bader signed a similar agreement in 1990 show any likelihood of success on a contractual claim of invention assignments.

Second, Eldre fails to establish a likelihood of success on its claim that the partially executed January 1995 documents resulted in a binding agreement. It appears that plaintiff presented Bader with the Confidentiality and Non-Competition Agreement, not executed by Eldre, sometime prior to January 14, 1995. Bader executed both the agreement and Rider A-3 on January 14<sup>th</sup>, but only after making substantial handwritten interdelineations clearly intended to make, and by their express terms making, Paragraphs 8, 9, and 10 subject to the Rider A-3 exclusion. The effect of Bader's counteroffer was to insulate

his "relationship with SC Technology" from the conflict of interest provision (paragraph 8) and the two non-compete provisions of paragraphs 9 and 10. Bader also sought in his counteroffer to make the post employment non-compete provision (paragraph 10) applicable only if he "sever[ed] his employment" from Eldre, thereby preserving his right to compete if he was fired. Finally, Bader changed the duration of the two non-compete provisions to one year from the preprinted two year term (paragraph 11). Bader's changes were all initialed by him and dated 1-14-95.

Thereafter, Eldre executed the agreement, but not Rider A-3, on January 17, 1995, but Eldre agreed to only some of the modifications proposed by Bader and chose not to initial all of the Bader changes. Although the proposed changes to paragraph 8 (Conflict of Interest), making it subject to the Rider A-3 SC Technologies exclusion, were accepted by Eldre's initials on each subparagraph thereof (all dated 1-17-95), Eldre did not accept Bader's effort to make the Rider A-3 exclusion applicable to either of the two non-compete provisions. When Eldre executed the agreement on January 17<sup>th</sup>, he did not signal agreement to Bader's proposed changes to paragraphs 9 and 10, nor did he signal agreement to the paragraph 11 proposal to change the duration of the non-compete covenants to one year from the preprinted two years. Finally, Eldre did not sign Rider A-3,

even though in paragraph 8 (Conflict of Interest) he agreed with Bader's change therein and even though Rider A-3 is by its terms applicable to paragraph 8. Eldre does not now contend that any of the Bader changes not initialed by him, with the exception of the paragraph 11 duration reduction and the severed/fired distinction, were ever agreed to by it.

In these circumstances, the events of January 1995 have not been shown to have created a contract between the parties. "Mutual assent to all of the material terms proposed is essential to the formation of a contract." Stockland Martel, Inc. v. Donald J. Pilner of Florida, Inc., 32 A.D.3d 779, 782 (1<sup>st</sup> Dept. 2006). See also, Express Ind. and Terminal Corp. v. New York State Dept. of Transportation, 93 N.Y.2d 584, 589 (1999) ("To create a binding contract, there must be a manifestation of mutual assent sufficiently definite to assure that the parties are truly in agreement with respect to material terms.") Bader's "material alterations of plaintiff's offer . . . constituted a counteroffer that required plaintiff's acceptance to form a binding contract." Tencza v. Hyland, 171 A.D.2d 1057 (4<sup>th</sup> Dept. 1991). See Helmsley-Spear, Inc. v. Kuperschmid, 301 A.D.2d 442 (1<sup>st</sup> Dept. 2003) (marked up contract returned to offeror "constituted a counter-offer"). Eldre's execution of the contract, which signaled acceptance of some of the changes contained in Bader's counteroffer, but not others, including the

Rider A-3 exemption from the two non-compete provisions, thus did not "comply with the terms of the [counter-]offer (see Graham v. Mutual Life Ins. Co. of N.Y., 300 N.Y. 375, 382), and, . . . [because it proposed a new contract containing some of Bader's alterations but not others], it is equivalent to a rejection [of Bader's counter-offer] and [another - - this time, Eldre's] counteroffer." Roer v. Cross Country Med Center Corp., 83 A.D.2d 861, 861-62 (2d Dept. 1981) (bracketed material supplied). See also, May v. Wilcox, 182 A.D.2d 939, 940 (3d Dept. 1992) (failure to "initial the changes on the agreement to indicate their acceptance"); Woodward v. Tan Holding Corp., 32 A.D.2d 467, 469 (2d Dept. 2006) ("valid acceptance must comply with the terms of the offer") (quoting Roer). Inasmuch as Bader did not execute the agreement post January 17<sup>t,h</sup> signaling his acceptance of Eldre's proposed modifications of Bader's counteroffer, as the party to be charged, Bader cannot in January be held to have entered into a binding contract. See Ghattars v. Shelala, 267 A.D.2d 1015 (4<sup>th</sup> Dept. 1999).

Plaintiff fares no better with the May 1995 documents. Contrary to plaintiff's contention at oral argument that the exchange of these documents shows that Eldre acceded to the only "open issue" between the parties, i.e., the paragraph 11 non-compete covenant term reduction to one year, Eldre signaled no intention to accept Bader's insistence in January that the two

non-compete provisions be subject to the Rider A-3 exclusion for his activities at SC Technologies. First, the May 1995 agreement was signed by no one. Second, the attached A-3 Rider, which was executed by both parties on May 25, 1995, does not contain the essential terms of an agreement, nor does it incorporate the entire unsigned agreement, nor does it recite that agreement had indeed been reached between the parties in accordance with the terms of the unsigned writing. Compare Suchin v. Fredrick, 30 A.D.3d 503, 504 (2d Dept. 2006) (rider "expressly stated that the parties had a contract for the seller to sell the real property to the buyers"). Third, the contemporaneously executed (by Eldre) letter to Bader of even date fully admitted the parties' continuing disagreement over whether the Rider A-3 exclusion should apply to the non-compete provisions. Eldre's president, Harvey B. Erdle, maintained, "In no way whatsoever is any exclusion given to Craig Bader on behalf of or for SC Technology to be or to become a competitor." Without signing the main body of the May 25<sup>th</sup> agreement containing the terms of the non-compete, Bader's signature on the rider, which only referred to the immediately preceding conflict of interest provision, is no signal of acceptance sufficient to charge him as a party to the putative contract containing the non-compete provisions.

While it is true that a plaintiff may make out a contract sufficient to satisfy the Statute of Frauds by reference to

signed writings when combined with parole evidence such as unsigned writings, Crabtree v. Elizabeth Arden Sales Corp., 305 N.Y. 48 (1953); Marks v. Cowden, 226 N.Y. 138, 145 (1919), case law is squarely against plaintiff's effort here. First, the cases are legion that the rule of Crabtree may not be invoked when plaintiff "re[lies] almost entirely upon . . . unexecuted agreements prepared by plaintiff himself." Stephen Pevner, Inc. v. Ensler, 309 A.D.2d 722 (1<sup>st</sup> Dept. 2003). See Armored Motor Service of America, Inc. v. First Fed. Sav. and Loan Ass'n of Rochester, 138 A.D.2d 954 (4<sup>th</sup> Dept. 1988) (distinguishing Crabtree because, in that case, "all the essential terms of the agreement were contained in memoranda either signed by, or chargeable to [e.g., prepared by], the defendant") (bracketed material supplied); Brause v. Goldman, 10 A.D.2d 328, 334-35 (1<sup>st</sup> Dept. 1960) ("where the writing has been prepared by one other than the party to be charged, there is no assurance that the document represents an accurate rendering of a mutually agreed upon understanding rather than the one party's latest round of proposals in the negotiation process."), aff'd. 9 N.Y.2d 620 (1961); Solin Lee Chu v. Ling Sun Chu, 9 A.D.2d 888, 889 (1<sup>st</sup> Dept. 1959) (courts should not "permit the unsigned document prepared by the plaintiff to serve as a portion of the requisite memorandum" under Crabtree, for to do so "would open the door to evils the Statute of Fraud was designed to avoid"). Here, of

course, the May 25 documents were prepared by plaintiff. Second, it is important that “[t]he document in Crabtree did not contemplate the signature of the parties whereas the . . . [draft agreement here] did contemplate the endorsement of defendant upon . . . [his] acceptance.” Manyon v. Graser, 66 A.D.2d 1012, 1013 (4<sup>th</sup> Dept. 1978). Third, Crabtree itself would preclude its application here. “All of (the terms of the contract) must be set out in the various writings presented to the court, and at least one writing, the one establishing a contractual relationship between the parties, must bear the signature of the party to be charged, while the unsigned document must on its face refer to the same transaction as that set forth in the one that was signed.” Crabtree, 305 N.Y. at 55-56 (emphasis supplied). The signed rider in this case is not the one writing that would establish a contractual relationship between Bader and Eldre. Accordingly, plaintiff fails to establish a likelihood of success on its contractual claims.

If plaintiff cannot demonstrate a likelihood of success based upon the “Confidentiality and Non-Competition Agreement,” which the court above has determined it cannot, it would, to support the second, third, and fifth causes of action, have to find another obligation of Craig Bader to assign the invention to Eldre. To that end, Eldre contends that Craig Bader had a common law duty to assign the invention to it.

(1959), states:

If an employee is hired to invent or is given the task of devoting his efforts to a particular problem, the resulting invention is the employer's, and any patent obtained by the employee must be assigned to the other. [citation omitted]. On the other hand, an employee whose employment is "general" is entitled to retain any patent which he procures and need not assign it to his employer, even though his employment "cover a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent." (*United States v. Dubilier Condensor Corp.*, 289 U.S. 178, 187 (1933); [additional citations omitted]). Indeed, even where an employee is hired "to devote his time and services to devising and making improvements in articles \* \* \* manufactured" in his place of employment, he is entitled to enjoy the fruits of any invention which he conceives while so employed and is under no duty to turn the patent obtained over to the employer "in the absence of an express agreement to that effect." (*Dalzell v. Dueber Mfg. Co.*, 149 U.S. 315, 320 (1893); [additional citations omitted]).

In determining whether an employee has been directed to invent a particular device, a distinction must be drawn between "the inventive act, the birth of an idea" and the "embodiment" of that idea "in a mechanism or a physical or chemical aggregate." (*United States v. Dubilier Condensor Corp.*, 289 U.S. 178, 188). As the Supreme Court wrote in the Dubilier case, employment to "design or to construct or to devise methods of manufacture is not the same as employment to invent." (*Id.*) And, by the same token, a direction to an employee to develop an idea which he had already conceived on his own is not a direction to invent and does not entitle the employer to the invention or the patent on

it.

Cahill, 5 N.Y.2d at 296-97.

Here, several factors warrant a conclusion that Eldre has not established a likelihood of success that Craig Bader must assign to it the invention. First, as discussed below, Eldre has not demonstrated a likelihood of success that Craig Bader was an employee at the time the invention was allegedly developed, and the common law duty arises from the employment relationship.<sup>1</sup> Even on its own terms, plaintiff's argument suffers from the fact that the parties contradict one another as to whether Craig Bader was hired to invent: defendants allege he was not hired to invent anything or solve a particular problem, whereas Eldre alleges that Craig Bader's primary duty was to develop and design new products. A hearing might be in order but for the fact that neither party submits evidence, other than its own conclusory allegations, in this regard, and so no real factual dispute is presented.

Second, as discussed above, Eldre has not established a likelihood of success on its claims under the "Confidentiality and Non-competition Agreement." Third, while various factors can

---

<sup>1</sup> For the first time, in reply papers, plaintiff sought to connect the invention to a reverse engineering project plaintiff set him on while employed at Eldre. See discussion, below. The immediately following discussion assumes that the invention was created in early 2007, as Erdle maintained in his original affidavit. Original Erdle affidavit, sworn to August 16, 2007, at ¶10.

be considered to distinguish between an employment and independent contractor relationship, statements and admissions by the putative employer is an overriding consideration. In Matter of MNORX, Inc., 46 N.Y.2d 985 (1979), the Court of Appeals affirmed a determination of the Unemployment Insurance Appeal Board based upon admissions contained in various contract documents by which the parties acknowledged the existence of employment status. The court stated:

Indeed, the execution by the appellants of the various contracts containing language evincing employment status, being inconsistent with their positions at the hearing, constituted admissions, not only for the purpose of discrediting their contentions but also as evidence of the facts admitted.

Id. at 824-25. Admissions against interest made by a party to a civil action are competent evidence against that party and are exceptions to the hearsay rule. See Giles v. Schuyler-Chemung-Tioga BOCES, 199 A.D.2d 613, 614 (3d Dept. 1993).

Eldre's current argument that Craig Bader remained an employee following his January 2005 resignation is seriously undermined by its admissions to the contrary. Craig Bader submitted his resignation letter sent to Eldre corporate officers. See Affidavit of C. Bader, Exhibit B. Plaintiff does not contend that it declined to accept that resignation. Indeed, Eldre acknowledges that, in January 2005, the employment arrangement changed, but argues that Craig Bader nevertheless

remained an employee. Eldre admits it paid periodic billings sent to it by SC Technologies for Craig Bader's time. Separately, Eldre requested that SC Technologies sign a Service Agreement it designed for independent contractors, on two occasions.<sup>2</sup> The mere fact that plaintiff provided Craig Bader and SC Technologies with this form on two occasions undermines its argument that Craig Bader was an employee. In other words, plaintiff's own actions indicate that it considered Craig Bader to be an independent contractor, and that it actively sought to have the new relationship covered by an independent contractor agreement containing a non-compete. Finally, in a letter admonishing Craig Bader for his actions during a meeting at Eldre, Eldre President Harvey Erdle, in an evident effort to underscore Eldre's prior separation from Bader, ostensibly to avoid respondent superior liability for Bader's sexual harassment, wrote:

As you know as a former employee of Eldre Corporation, that we have a very strict sexual harassment policy and this type of joking is unacceptable behavior. In the future, we would appreciate your full compliance with our sexual harassment policy, for which I have included a copy excerpted from our handbook.

Affidavit of C. Bader, Exhibit F (emphasis supplied).

---

<sup>2</sup>Craig Bader alleges that he declined to sign the Service Agreement on both occasions because of a non-competition clause he found to be unacceptable.

Plaintiff's further admissions constitute the manner of the payment to Craig Bader and its handling of tax treatment issues, each of which indicate independent contractor status, not employee status. See also, Bader Affidavit, Exh. C (Certificate of Insurance).

Plaintiff fails to establish a likelihood of success on its claim that Craig Bader worked for Eldre as an employee from January 2005. None of the factors relied upon by plaintiff to establish employee status override the compelling evidence to the contrary, particularly Craig Bader's resignation letter and the 2005 letter from plaintiff's president referencing Craig Bader as a "former employee." Accordingly, plaintiff correspondingly fails to establish its right to a common law assignment to the extent necessary to warrant the issuance of a preliminary injunction.

Plaintiff has not established a likelihood of success on its claim of Craig Bader's employment status during the early part of 2007, which is when Eldre alleged, originally, that the invention occurred. See Original Erdle affidavit, sworn to August 16, 2007, at ¶10.

**Misappropriation of Trade Secrets and/or Confidential Information**

"To succeed on a claim for the misappropriation of trade secrets under New York law, a party must demonstrate: (1) that it possessed a trade secret, and (2) that the defendants used that

trade secret in breach of an agreement, confidential relationship or duty, or as a result of discovery by improper means." North Atlantic Instruments, Inc. v. Haber, 188 F.3d 38, 43-44 (2d Cir. 1999) (citing Hudson Hotels Corp. v. Choice Hotels Int'l, 995 F.2d 1173, 1176 (2d Cir. 1993); Integrated Cash Management Servs., Inc. v. Digital Transactions, Inc., 920 F.2d 171, 173 (2d Cir. 1990); Ashland Management Inc. v. Janien, 82 N.Y.2d 395, 407 (1993).

Eldre contends that Craig Bader has misappropriated trade secrets and confidential information. The complaint fails to specify when this allegedly occurred, and the court has already alluded to the discrepancy between the two Erdle affidavits on the subject. With the exception of the fact that the invention exists (together with Eldre's claims that it could not have been developed absent knowledge of Eldre's manufacturing processes, cost inefficiencies, and quality control issues), Eldre offers nothing in support of this claim to establish a likelihood of success other than, for the first time in reply, seeking to link the invention to the reverse engineering project on a FCI connector in 1998. Bader, however, denied that he was asked to participate in the project and insists that Eldre took steps to insulate him, and SC Technologies, from it. Nevertheless, according to Bader, Eldre's chief engineer, Paul Murkett, showed Bader the FCI connector and later told him that Eldre was

obtaining quotes for the manufacture of a similar connector or copy thereof. Bader thereupon gave a connector sample to his son, who worked up a \$7.00/bushing set quote. Bader maintains that his son, while inspecting the connector, "questioned why a simple device, such as a clip, was not used." But Bader "dismissed Scott's question," was not interested in alternative designs, and "simply wanted to get a quote" from Scott to submit to Eldre. Eldre never pursued the matter and, according to Bader, he and his son did not pursue the matter either after submitting a bid until 2006, i.e., after he became an independent contractor.

With the exception of Erdle's allegation that it was he, not Murkett, who gave Bader the FCI connector for the purpose of deconstructing it, and the generalized assertion that Scott Bader was incapable of coming up with the idea for the clip, the sequence as alleged by Bader does not appear disputed in the record before the court. Erdle does, however, allege that Craig Bader's involvement in the deconstruction process was much more involved than Bader acknowledges. To wit, Erdle alleges Craig Bader's direct participation in the FCI reverse engineering deconstruction project, whereas Bader testifies to the opposite, stating that he had no such involvement. Nevertheless, Erdle insists that, however Bader came into contact with the FCI connector, which Erdle states he received from a salesman, it and

the deconstruction process, and knowledge gleaned from it, were proprietary trade secrets of Eldre which should not have been disclosed to Scott Bader or SC Technologies.

As the foregoing discussion makes clear, however, the tripartite relationship between Eldre, Craig Bader, and SC Technologies, as evidenced in the failure to obtain restrictive covenants or confidentiality agreements insulating SC Technologies from what Craig Bader learned while working for or at Eldre, the ease with which Bader traveled between one entity and the other, Erdle's knowledge of the interplay as between the two organizations, indeed they appear to have had a symbiotic relationship, when he allegedly gave Bader the FCI product obtained from a salesman, militates against a finding of trade secret status vis-a-vis SC Technologies. In particular, the failure of Eldre to secure the agreements it now alleges were binding in 1995 (three years prior to the 1998 reverse engineering project) tends to preclude any reasonable expectation that Bader would not share the connector, made by a competitor, with SC Technologies or his son.

These are considerations raised by the pleadings, i.e., of a misappropriation claim, a breach of fiduciary duty claim, and a conversion claim; they have nothing to do with "ownership" of the patent, an issue Erdle presses in his reply affidavit (¶15) ("results Eldre learned through the reverse engineering of

the FCI product belong to Eldre and not to defendants”), but upon which the court need not pass on this motion. I do not reach the ownership question. In short, the FCI connector, obtained from a salesman and manufactured by a competitor, cannot itself be a trade secret under the Ashland Mgmt multi-factor test, nor can Bader be “restrained from using the general technologies learned during his employment.” Advance Biofactures Corp. v. Greensberg, 103 A.D.2d 834, 836 (2d Dept. 1984). Resolution of the factual dispute present in this case, i.e., whether Craig Bader used the results of the 1998 reverse engineering project to develop the invention, or instead whether Scott Bader’s off-hand idea occurring during a quick inspection of the product (together with Craig Bader’s general learning) was the impetus, will not aid in resolving the second, third, and fifth causes of action, which presuppose a secrecy as between Eldre and SC Technologies that on this record plaintiff fails to establish. Indeed these causes of action, and plaintiff’s initial moving papers, which make no mention of the 1998 reverse engineering project, presupposes a contractual relationship between Eldre and Craig Bader that on this record plainly did not exist. Accordingly, a hearing is not necessary.

#### **Scott Bader and SC Technologies**

The court notes that there are no agreements between plaintiff and Scott Bader and/or SC Technologies relating to

inventions and, as stated above, plaintiff has not established a likelihood of success on its claim of misappropriation of trade secrets and confidential information (again, making no finding on the patent ownership issue). Absent a demonstration of likelihood of success in that regard, there is no basis to impose a preliminary injunction on Scott Bader and SC Technologies.

The motion for a preliminary injunction is denied. The TRO issued on August 20, 2007, is hereby vacated.

SO ORDERED.

---

KENNETH R. FISHER  
JUSTICE SUPREME COURT

DATED: September 7, 2007  
Rochester, New York