

# Restrictive Covenant and Trade Secret Misappropriation Claims: Key Initial Considerations and Tips for Seeking TROs, Preliminary Injunctions, and Other Relief

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This practice note provides guidance on the substantive and procedural considerations involved in pursuing legal action to protect employer trade secrets and enforce restrictive covenants against former employees. For employers, restrictive covenants have become a vital tool for protecting confidential information, trade secrets, client goodwill, and other important business interests. Just as vital is knowing how to effectively protect those interests through litigation if necessary. Successfully suing to enforce restrictive covenants or recover for trade secret misappropriation (or both) requires a coherent litigation strategy and careful consideration of numerous procedural and substantive issues throughout the lawsuit.

This practice note addresses the following considerations with regard to litigation against an employee for claims concerning restrictive covenants or trade secret misappropriation:

- Guidance on Gathering Evidence and Investigating Potential Misconduct
- Strategies for Determining Who to Sue and Where to Do It
- Considerations for Drafting Your Complaint and Asserting Causes of Action
- Maintaining Confidentiality of Trade Secrets and Confidential Information
- Responding to a Request for a Declaratory Judgment
- Insights into Whether and How to Seek Injunctive Relief (Including Temporary Restraining Orders (TROs) and Preliminary Injunctions (PIs))
- Advice for Countering Likely Defenses or Counterclaims
- Overview of Available Remedies and When to Seek Non-injunctive Relief

This practice note does not supply an exhaustive discussion of the similarities and differences between state laws with respect to the enforceability of restrictive covenants or protection of trade secrets. This practice note also does not comprehensively explore state-law distinctions for drafting enforceable restrictive covenants or protecting employer trade secrets. For more detail concerning these state-law issues, see [Non-competes and Trade Secret Protection State Practice Notes Chart](#). For relevant forms, see [Non-competes and Trade Secret Protection State Expert Forms Chart](#).

For additional relevant information on restrictive covenants, see [Non-competes and Trade Secret Protection – Restrictive Covenants practice note page](#).

For additional relevant information on trade secret protection, see [Non-competes and Trade Secret Protection – Protecting Trade Secrets practice note page](#).

## Guidance on Gathering Evidence and Investigating Potential Misconduct

Critical to success in any lawsuit is a grasp of the underlying facts. Litigating against a former employee for restrictive covenant violations or theft of employer trade secrets is no different.

Before putting pen to paper on a complaint, employers should take the following steps to better understand the scope and extent of any misconduct, and to better develop causes of action they may need to assert in an eventual lawsuit:

- **Retrieve all documents concerning the employee.** The employer first should locate all documents concerning the employee and his or her employment. This includes the employee's personnel file and any records maintained by the employer's human resources or recruiting departments. The employer should also check with other administrative departments that might have any documents relating to the employee, such as benefits, payroll, and accounting. Do not forget to check with the employee's former managers or supervisors, as well as any individuals involved in his or her initial hiring. It is often the case that the people who directly supervise an employee or who were involved in the employee's initial hiring may have additional documents concerning the employee and which potentially contain relevant information.
- **Locate all agreements with the employee.** The restrictive covenants that will form the basis of your claims will in all likelihood be contained in one or more written agreements. Thus, in retrieving the employee's personnel file and any other documents concerning his or her employment, the employer should identify all agreements and contracts of any kind with the employee. Agreements that often contain restrictive covenants or other relevant restrictions include offer letters, employment agreements, equity or stock option agreements, deferred compensation agreements, bonus agreements, and separation or severance agreements depending on the

circumstances of the employee's departure. This list is not exhaustive. Restrictive covenants may also be found in agreements concerning a corporate transaction (such as an acquisition), an award or grant of equity, or a promotion or relocation, to name just a few. An employer must carefully review **all** agreements, contracts, or understandings of any kind between it and the employee.

- **Confirm the employee's agreements are complete.** In gathering all of the employee's agreements and contracts, it is critical that employers confirm that they have any and all side documents to each of the agreements, such as amendments, supplements, exhibits, schedules, or appendixes. These often are critical to litigating restrictive covenant and trade secret misappropriation claims. For example, an amendment might alter the duration of a previously agreed-to restrictive covenant, while a schedule or exhibit might list specific clients whom the employee is permitted to solicit.
- **Review the employee's restrictive covenants.** With all relevant agreements in hand, the employer should catalogue all restrictive covenants and post-employment obligations to which the employee may be subject (which we will also refer to as restrictions or covenants). Among the types of covenants most often litigated in court are the following covenants:
  - Covenants not to compete (or non-compete agreements, covenants, or restrictions), which may limit or prohibit the employee from accepting a position with a competitor or launching a competing company
  - Covenants not to solicit (or non-solicit covenants or restrictions or customer non-solicitation agreements), which may limit or prohibit the employee from soliciting and/or servicing the employer's clients
  - Covenants not to recruit (or non-recruit covenants or restrictions or employee non-solicitation agreements), which may limit or prohibit the employee from recruiting or hiring the employer's employees
  - Covenants not to disclose confidential information (or non-disclosure covenants or restrictions or confidentiality agreements), which may limit or prohibit the employee from using or disclosing the employer's confidential information and trade secrets without permission
- **Catalogue all relevant policies and procedures.** A small step that employers occasionally overlook is to gather any potentially applicable workplace policies such as codes of conduct, codes of ethics, or employee handbooks, as well as any specific policies that might be relevant to the employee's misconduct. Of particular note are policies

that restrict employee access to sensitive, confidential information, or which establish security procedures protecting such information. These policies may be relevant to proving one or more causes of action if and when your focus turns to litigation.

- **Ensure that electronic evidence and employer property are preserved.** An employer's electronic files often lie at the heart of a suspected restrictive covenant breach or act of trade secret misappropriation. Upon learning of potential misconduct in this area, employers should immediately terminate the employee's access to employer email and computer systems and deactivate any ID cards. Employers should also take all necessary steps to ensure the employee's emails and electronic files are preserved, including files on the employee's computer hard drive and employer-provided mobile devices.
- **Investigate the nature and extent of the misconduct.** While gathering relevant documents and preserving potentially relevant electronic evidence, the employer should also learn as much as it can about the suspected misconduct. While there may not be a one-size-fits-all playbook applicable to each and every investigation, employers generally should at least consider the following steps in performing their investigation:
  - o **Speak with colleagues and supervisors.** Other employees may have information about the employee and his or her suspected misconduct. For example, the employee may have shared his or her plans with coworkers verbally or through email. Coworkers also may have witnessed the employee doing something related to the suspected misconduct, such as printing and taking home sensitive employer documents or forwarding work emails or electronic documents to his or her personal email account.
  - o **Speak with clients.** If the employee's misconduct involves breach of a non-compete or non-solicit covenant, employers may need to speak directly with those clients whom the employee has improperly contacted. This step involves a particularly delicate balance. Employers should exercise discretion in determining to what extent they can or should involve a given client without disrupting the business relationship.
  - o **Search social media and public records.** The employee likely maintains one or more social media accounts containing information regarding his or her employment. Check to see whether the employee has updated any of his or her social media profiles with information relevant to your investigation, such as a new employer.

- o **Review emails and relevant documents.** Once you have preserved the employee's email account, hard drive, and documents, you should review these materials for relevant information. It is often the case that these sources prove the substance of your causes of action. For example, a review of the employee's email account may turn up emails to clients attempting to solicit them to follow the employee to his or her new employer, or emails to himself or herself attaching sensitive employer information—just the sort of evidence that may help you establish a restrictive covenant or trade secret misappropriation claim.

For more information on pre-litigation strategies in restrictive covenant and trade secret misappropriation cases, see [Pre-litigation Steps in Trade Secret Misappropriation and Breach of Restrictive Covenant Cases](#). Also see [Continuing Obligations Letter \(Post-employment Restrictions\) \(Employer to Former Employee\)](#), [Cease and Desist Letter \(Post-employment Restrictions\) \(Employer to Former Employee\)](#), [Continuing Obligations Letter \(Post-employment Restrictions\) \(Former Employer to New Employer\)](#), and [Cease and Desist Letter \(Post-employment Restrictions\) \(Former Employer to New Employer\)](#).

## Strategies for Determining Who to Sue and Where to Do It

### Choosing Your Defendant(s)

#### *The Former Employee*

It perhaps goes without saying that your complaint should name the person you suspect has breached a restrictive covenant or misappropriated your trade secrets—the former employee. Review your records to ascertain the employee's full name and last known address.

#### *The New Employer*

A frequent topic of debate in this area is whether to also name the new employer as a defendant. The answer hinges on a variety of factors, not all of which apply to every situation. In determining whether to sue the new employer in a restrictive covenant or trade secret litigation, you should consider the following issues:

- **The new employer's role in the underlying misconduct.** Facts first. Do you have evidence the new employer was aware of your former employee's covenants? Was it aware of acts the employee took that may be in breach of those covenants, such as bringing your clients or

trade secrets to the new employer? A misbehaving ex-employee's new employer may be involved in a number of ways and subject to a number of claims. Carefully review the results of your investigation.

- **The new employer's finances and litigation track record.**

One additional consideration is an evaluation of the new employer's financial resources and litigation track record. Does naming the new employer as a defendant risk a lawsuit longer and more expensive than the former employer is prepared to litigate? Another factor is the new employer's litigation history. Has your research shown that the new employer has a propensity for litigating cases to the mat? Would including the new employer invite potential counterclaims, aggressive discovery tactics, and other potential downsides?

- **The new employer's relationship with the employee.**

More nuanced considerations may also come into play. Have you received any indication of whether the new employer is prepared to indemnify the employee? If not, and your primary defendant (i.e., the employee) has to financially go it alone, ponder whether you might be able to coax an early settlement by naming only the former employee without involving his or her deeper-pocketed employer.

- **The need to send a message to the new employer.**

Another consideration is the extent to which the business we have been referring to as the new employer has been involved in previous episodes of foul play involving your former employees. Do you sense a pattern? Is the former employee you are considering suing just the latest in a string of employees who left to join that business and violated their covenants (or the law) on the way out the door? Do you have reason to believe that by not naming the new employer as a defendant, you may be encouraging it to lure other employees to leave and try to bring your clients and trade secrets with them? Naming the new employer as a defendant may send a message that it should think twice before hiring your employees or sharing in their misdeeds at your expense.

### ***Other Potential Defendants***

While the former employee and his or her new employer may be the most likely defendants in a lawsuit involving restrictive covenant or trade secret misappropriation claims, they are hardly the only potential defendants.

Do you have reason to believe other former employees are participating or have helped the employee? Did your investigation turn up names of other individuals at the new employer that may be helping the former employee solicit your clients? Has the former employee already incorporated a new business that you should name as defendant (in

addition to the former employee individually)? While less likely, what about a now-former client who breached its existing contract with you to follow the employee to his or her new business?

You may be able to exert additional pressure on the former employee by identifying third parties who have assisted in his or her wrongdoing.

### **Choosing Your Forum**

Intertwined with the "who" question is the "where" question. Where do you sue and how do you decide? Sometimes making this determination is as simple as checking the agreement. Other times it may require research of state law and analysis of various practical, strategic considerations. Below are just a few of these considerations:

- **Relevant clauses in the parties' agreement.** It is possible that the former employee's restrictive covenant agreement answers your "where should I sue" question. Accordingly, you should first check to see if the agreement has any provisions addressing venue, forum, or dispute resolution procedures. Such a provision might require that all claims be brought in a specific venue, such as the U.S. District Court for the District of New Jersey, or in a specific jurisdiction, such as the federal or state courts of New York. A word of caution: forum and venue clauses are not always enforced by courts, no matter how ironclad they might appear on paper. In some cases, the enforceability of your forum clause may also turn on which state's law applies to a court's interpretation of the forum clause, such as by reference to a choice-of-law clause. You will need to research applicable law to determine how courts in your jurisdiction have interpreted similar forum selection clauses in prior cases.

- **The location of the parties and witnesses.** Whether or not the agreement contains a provision that addresses forum, you should not ignore the facts on the ground in deciding where to file your complaint. Where are your offices located? Where does the former employee currently reside? Where was he or she located while working for you? His or her supervisor? His or her new employer? The clients he or she may have improperly solicited? These questions are important from a few perspectives. First, you of course will need to establish proper jurisdiction over each of your defendants and comply with court venue rules. Second, you should keep in mind whether relevant witnesses or documents will be available and are within the forum's subpoena power. Third, say your agreement does contain a choice of forum

clause; courts in many states enforce such clauses only if the chosen forum bears a sufficiently close relationship to the transaction at issue and does not offend public policy. See, e.g., *Guardian Fiberglass, Inc. v. Whit Davis Lumber Co.*, 509 F.3d 512, 515 (8th Cir. 2007) (“Arkansas courts will honor a choice of law provision, provided that the law selected is reasonably related to the transaction and does not violate a fundamental public policy of the state”) (internal quotation marks omitted); *Outside Television, Inc. v. Murin*, 977 F. Supp. 2d 1, 13–14 (D. Me. 2013) (noting Maine’s “strong presumption in favor of [employer’s] choice of forum and . . . forum selection clause” and enforcing forum selection clause where employer had “a non-trivial presence within Maine” and where former employee failed to show “that any public policy would be offended by enforcement of the forum selection clause”); *Stryker Corp. v. Ridgeway*, 2014 U.S. Dist. LEXIS 98455, at \*5–6 (W.D. Mich. July 21, 2014) (applying Michigan law to enforce Michigan choice of law and forum provisions where former employer was “based in Michigan and Michigan has an interest in enforcing its employers’ non-compete agreements and forum selection clauses,” and because enforcement of forum selection clause would not be fundamentally contrary to public policy of Louisiana where former employee lived).

Courts may also determine which state’s law applies before deciding whether to enforce the forum clause, particularly where the agreement contains a choice-of-law clause or there is a dispute between the parties as to which law applies. See, e.g., *Mecum Auction, Inc. v. McKnight*, 265 N.C. App. 693, 828 S.E.2d 62 (2019) (determining that Wisconsin, not North Carolina, law applied to agreement and proceeding to apply Wisconsin law in interpreting enforceability of agreement’s Wisconsin forum clause).

- **Whether certain forums may be more favorable than others.** In analyzing the objective considerations addressed above, do not overlook the potential favorability of some courts over others. For example, have judges in the forum you are considering shown a propensity for granting or denying requests for injunctive relief (a topic we will discuss below in *Insights into Whether and How to Seek Injunctive Relief (Including Temporary Restraining Orders (TROs) and Preliminary Injunctions (PIs))*)? What about relative docket speed—is there a risk that a judge may not rule on your claims in a particular venue for months, if not years? Has the court or its operations been impacted by the COVID-19 pandemic in ways that might affect your presentation of evidence and witness testimony? Have you developed a certain expertise in litigating in one court or another?

## Considerations for Drafting Your Complaint and Asserting Causes of Action

You have your defendants and you have your court (or arbitral forum). The rest is easy, right? Hardly. Selecting the appropriate causes of action and then drafting them in a way not to give away sensitive employer information is critical. Below, we review a few of the more common causes of action in the restrictive covenant and trade secret misappropriation area, and then briefly pass along a few thoughts about maintaining as much confidentiality as possible during the litigation.

### Causes of Action against the Employee

#### *Breach of Contract*

Among the most commonly asserted causes of action in this area is for breach of contract. In the case of an employee who may have violated one or more restrictive covenants, an employer can point to that violation as a breach of whatever contractual agreement contains those covenants. Accordingly, any lawsuit you file against an employee for alleged restrictive covenant violations should include a breach of contract claim premised on the applicable agreement. You should include a breach of contract claim even where seeking injunctive relief, such as through a temporary restraining order (TRO) or preliminary injunction (PI). See, e.g., *Estee Lauder Cos. Inc. v. Batra*, 430 F. Supp. 2d 158 (S.D.N.Y. 2006) (preliminarily enjoining employee from breaching restrictive covenants where employer’s complaint contained causes of action for (1) breach of non-compete agreement and (2) theft of trade secrets). This practice note will discuss some of the considerations in applying for injunctive relief in *Insights into Whether and How to Seek Injunctive Relief (Including Temporary Restraining Orders (TROs) and Preliminary Injunctions (PIs))*, below.

A breach of contract claim often makes sense for conduct within the realm of trade secret misappropriation. For example, your employee’s agreement may contain one or more provisions protecting your confidential information and restricting the employee from using or disclosing that information without permission. Should you suspect the employee has improperly acquired or disclosed employer trade secrets, your breach of contract claim should invoke any non-disclosure or confidentiality provisions or covenants in the employee’s agreement. See, e.g., *CBS Corp. v. Dumsday*, 268 A.D.2d 350 (N.Y. App. 1st Dep’t 2000) (sustaining breach of contract claim alleging that defendant-

employees “breached their employment agreements by disclosing confidential information to” competitor).

### ***Breach of Fiduciary Duty and Duty of Loyalty***

Depending on the circumstances, you may wish to consider asserting a claim for breach of fiduciary duty or duty of loyalty. This cause of action typically consists of acts by an employee deliberately taken not in the employer’s best interests but instead for the benefit of the employee, and which are harmful to the employer.

Before getting into substance, a word on terminology. In many states, a breach of fiduciary claim in the employment context carries a different label, such as for breach of the duty of loyalty or under the faithless servant doctrine. In New York, for example, all employees have an unflinching duty to “exercise the utmost good faith and loyalty in the performance of [their] duties” and are prohibited “from acting in any manner inconsistent with [their] agency or trust.” *Phansalkar v. Anderson Weinroth & Co., L.P.*, 344 F.3d 184, 200 (2d Cir. 2003) (internal quotation marks omitted). California has a duty of loyalty requirement. See *Stokes v. Dole Nut Co.*, 48 Cal. Rptr. 2d 673, 681 (Ct. App. 1995) (“The duty of loyalty [under California law] is breached, and may give rise to a cause of action in the employer, when the employee takes action which is inimical to the best interests of the employer.”). In drafting your complaint, you should research how courts in your jurisdiction characterize these types of causes of action in the employment context.

Terminology aside, this type of claim is most viable where at least part of the employee’s misconduct occurred before he or she left the employer. Imagine an employee who, while still working for the employer, induces one of the employer’s clients to close its account and leave for a competing employer that the employee later resigns to join. The employee may be in violation of one or more contractual restrictive covenants to the former employer, as well as in violation of his or her fiduciary duty or duty of loyalty. See *Design Strategies, Inc. v. Davis*, 384 F. Supp. 2d 649 (S.D.N.Y. 2005), *aff’d*, 469 F.3d 284 (2d Cir. 2006) (ruling that employee breached “fiduciary duty of loyalty” under New York law by encouraging employer’s prospective customer to give business to competitor that employee later resigned to join); *Dumsday*, 268 A.D.2d 350 (ruling that employer stated actionable claim for breach of “fiduciary and common-law duties” where prior to leaving, defendant-employees “planned, and later formed, a competing corporation” that obtained a valuable “contract using confidential information”). Imagine the same employee also improperly obtains access to employer trade secrets and then discloses them to the same competing employer

(i.e., his or her new employer). You may have claims for breach of fiduciary duty or duty of loyalty, trade secret misappropriation, and breach of contract based on the employee’s restrictive covenants.

### ***Misappropriation of Trade Secrets***

It perhaps goes without saying that if you have evidence an employee has obtained confidential, sensitive employer information without permission, you should consider asserting a cause of action for misappropriation of trade secrets. Trade secret misappropriation broadly refers to the acquisition of a legally protected trade secret through improper means. Trade secret misappropriation claims arise under both state and federal law, and overwhelmingly find their roots in statute, not common law. We first will discuss trade secret misappropriation claims under state law.

#### ***State Law***

Your first step should be to determine whether your state has enacted a trade secret statute. The vast majority of states have enacted trade secret statutes based on the Uniform Trade Secrets Act (UTSA). It is these statutes (and the cases applying them) which supply the legal framework for asserting trade secret misappropriation claims in those states. You should determine at the outset whether your jurisdiction has enacted a trade secret statute. For information on all states’ trade secret laws, see [Non-competes and Trade Secret Protection State Practice Notes Chart](#).

Once you have done so, among the issues to explore are whether the information improperly obtained rises to the level of trade secret and whether the employee used improper means to obtain it. On the trade secret question, it is possible that not everything the employer describes as confidential information in its restrictive covenant agreement qualifies as a legally protected trade secret. Look to your state’s law for guidance and relevant factors for making this determination. See, e.g., *Ashland Mgmt. Inc. v. Janien*, 82 N.Y.2d 395 (1993) (enumerating six factors for determining whether information rises to the level of trade secret, including the extent to which the information is known outside the business, the measures the business took to guard the secrecy of the information, and the value of the information to the business and its competitors); *Mallet & Co. v. Lacayo*, 2020 U.S. Dist. LEXIS 218750, at \*15–16 (W.D. Pa. Nov. 23, 2020) (similarly applying six-factor test to determine protectible trade secrets under Pennsylvania law). Even if an employee makes off with employer information that falls short of the legal threshold for a trade secret, the employer may still have a contractual claim for breach of the employee’s confidentiality and non-disclosure obligations.

Your state's law will also shed light on the types of behavior constituting improper means. It is possible that the employee's breach of his or her restrictive covenants may also supply the requisite improper means for a trade secret claim. See, e.g., *TBA Global, LLC v. Proscenium Events, LLC*, 114 A.D.3d 571 (N.Y. App. 1st Dep't 2014) (reinstating claim that defendant-employees breached non-solicit covenant and "misappropriated or used plaintiff's customer lists or trade secrets" based on evidence that defendants "misappropriated and misused [plaintiff's] trade secrets and intellectual property in connection with their solicitation of clients"); *Ajaxo, Inc. v. ETrade Grp., Inc.*, 37 Cal. Rptr. 3d 221, 252 n.38 (Ct. App. 2005) (finding that "the evidence that showed that [defendant] had breached [non-disclosure covenant] was the same evidence that showed that [defendant] had misappropriated [plaintiff's] trade secret").

For additional information on misappropriation of trade secrets, see [Trade Secret Fundamentals](#), 1-12 Trademark and Unfair Competition Deskbook § 12.07, 1-17 Business Torts § 17.02, and 1-17 Business Torts § 17.06[3].

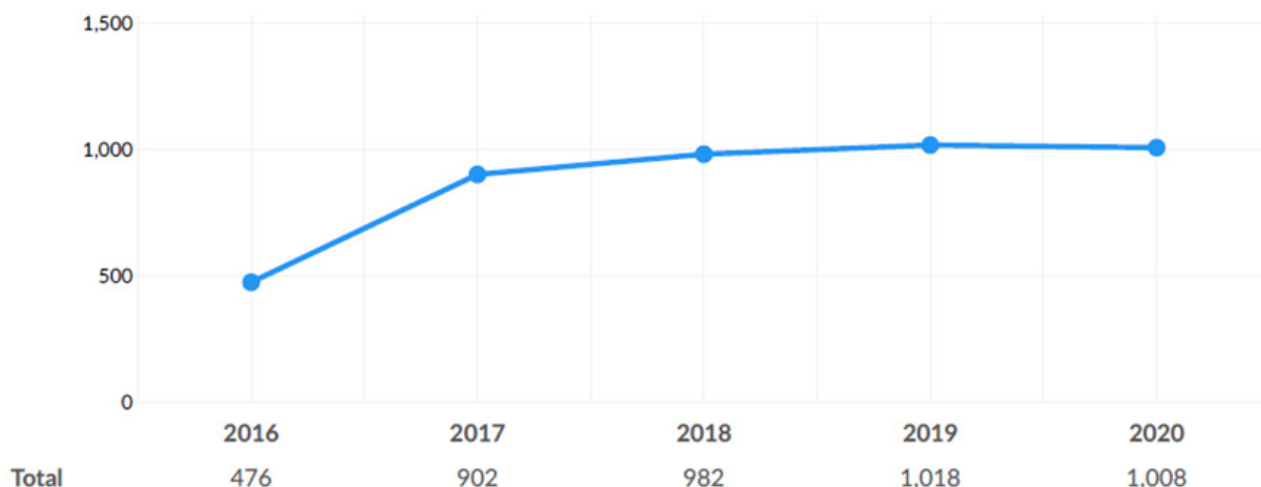
### *The Defend Trade Secrets Act of 2016*

You should consider asserting a cause of action under the federal Defend Trade Secrets Act of 2016 (DTSA), 18 U.S.C. § 1836. While the DTSA varies in detail from various state laws, it offers employers with a potential cause of action broadly similar to those available under state statutes modeled after the UTSA. Employers should note certain differences between the DTSA and state law. For one, employers must allege at least some misappropriation on or after May 11, 2016, the DTSA's effective date. For another, the DTSA applies only to trade secrets "related to a product or service used in, or intended for use in, interstate or foreign commerce." 18 U.S.C. § 1836(b) (1). Provided these and other requirements are satisfied, the upside is substantial: injunctive relief for actual or threatened misappropriation, and double monetary damages and reasonable attorney's fees for misappropriation found to be willful and malicious.

The graph below shows the number of federal district court case filings with DTSA claims from 2016 to 2020.

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## Trade Secret Cases with DTSA Claims Filed in Federal District Court from 2016 to 2020

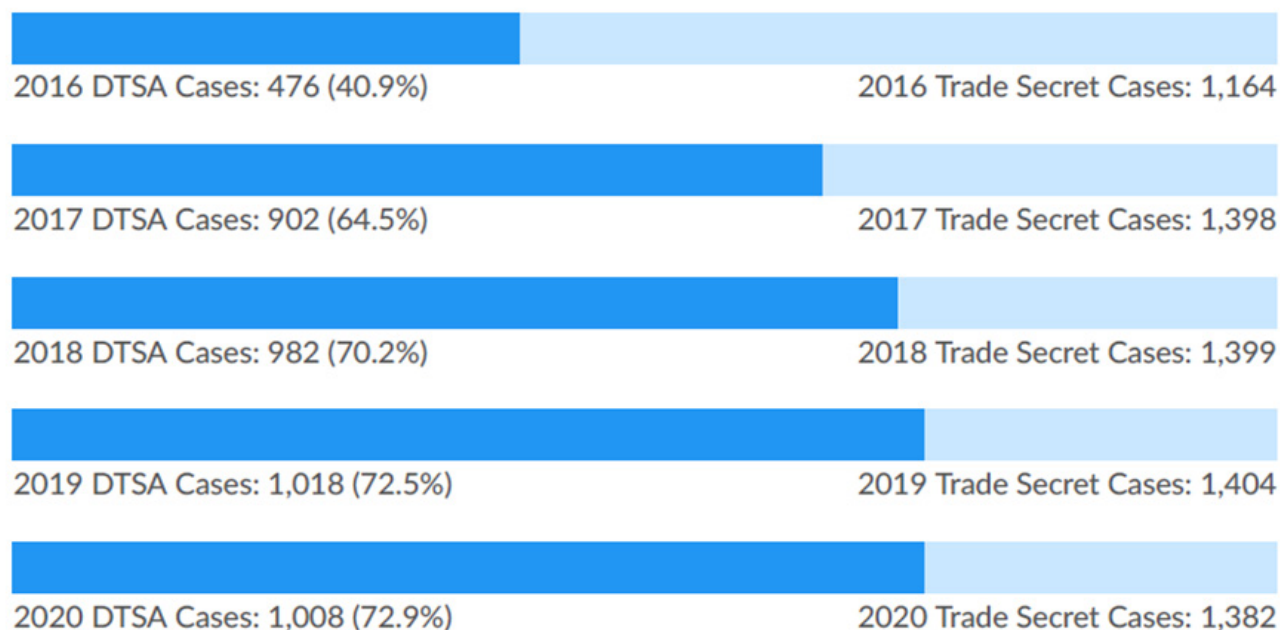


Source: Lex Machina®, [Trade Secret Litigation Report 2021](#).

As shown in the graphic below, in 2020, 72.9% of all trade secret cases in federal district court had claims under the DTSA, similar to 2019 when 72.5% of cases had a DTSA claim and considerably higher than the 40.9% of cases in 2016. On the other hand, cases without a DTSA claim (only state or common law trade secret claims) have decreased over the last five years. Therefore, claimants do tend to file under the DTSA and will likely continue to file proportionately more trade secret cases with DTSA claims in the coming years.

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## Percentage of Federal District Court Trade Secret Cases with DTSA Claims Filed from 2016 to 2020



Source: Lex Machina®, [Trade Secret Litigation Report 2021](#). For more information on Lex Machina and to sign up for a live demo, click [here](#).

For detailed information and guidance on the DTSA, see [Defend Trade Secrets Act \(DTSA\) and Other Legal Claims and Recourse to Protect Employers' Confidential Information and Trade Secrets](#).

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### **Unfair Competition**

If you have sufficient evidence to include a trade secret misappropriation claim in your complaint, you should check whether your state recognizes a stand-alone cause of action for unfair competition. Depending on jurisdiction, an unfair competition claim may be rooted in the same overall flavor of misconduct that might underpin a claim for trade secret misappropriation or breach of fiduciary duty: unauthorized use or acquisition of an employer's information or property to the detriment of the employer and for the benefit of the employee or a competitor (or both, as is often the case). See, e.g., *Dumsday*, 268 A.D.2d 350 (sustaining unfair competition claim "rooted in the improper use of trade secrets to gain an advantage over" plaintiff-employer); *Lacayo*, 2020 U.S. Dist. LEXIS 218750, at \*21-22 (holding that employer was likely to succeed on unfair competition claim where defendants-employees sent their employer's "information to themselves . . . around the time they agreed to work for [a competing entity]" and "[a]ctively conceal[ed] plans to form a competing company"). However, not all states recognize this cause of action. Those that do may

limit the cause of action to misconduct specifically tethered to intellectual property-related wrongs, or to combat deceptive trade practices for the benefit of consumers and the general public. You may need to review the law of your jurisdiction to determine whether an unfair competition claim is worth including in your complaint.

For additional information on unfair competition, see 1-17 Business Torts § 17.09[5] and 1-5 Milgrim on Trade Secrets § 5.02.

### **Tortious Interference with Contract**

A common cause of action in lawsuits involving alleged breaches of certain restrictive covenants is tortious interference with contract. Sometimes known as tortious interference with contractual relations depending on jurisdiction, this cause of action may be worth considering if the acts the employee took that are potentially in breach of a restrictive covenant interfered with an existing contract the former employer has with another party. Perhaps the foremost example relates to a restrictive covenant prohibiting a former employee from soliciting



the former employer's clients. If a former employee induces one of those clients to break its agreement with the former employer and hire him or her (or his or her new employer) instead, the former employer may have a claim for breach of the non-solicitation covenant as well as tortious interference with contract. See, e.g., *Dumsday*, 268 A.D.2d 350 (sustaining claim for "tortious interference with contractual relations" based on allegations that former employees "used [employer's] confidential information to interfere with" existing agreement with major customer); *Don Buchwald & Assocs., Inc. v. Rich*, 281 A.D.2d 329, 330 (N.Y. App. 1st Dep't 2001) (reinstating claim for "tortious interference with economic relations" based on allegations that "former allegedly faithless employees of plaintiff talent agency" "surreptitiously add[ed] riders to the contracts with some of plaintiff's clients that gave the latter the right to terminate the contract should the particular handling agent leave plaintiff's employ").

For more information on tortious interference with contract, see [Tortious Interference with a Third Party](#), 1-11 Business Torts § 11.03, and 1-11 Business Torts § 11.07.

### ***Tortious Interference with Prospective Contractual or Business Relations***

A closely related cause of action to tortious interference with contract is for tortious interference with prospective contractual or business relations. Unlike with tortious interference with contract claims, this cause of action typically involves a contract or some other form of business arrangement that would have been executed (or renewed or extended) but for the defendant's misconduct. This claim may be appropriate for your complaint if, for example, you have evidence that the employee used the employer's confidential information or trade secrets to induce a potential new client to enter into an agreement with him or her instead of the employer.

While courts in virtually every state recognize this cause of action, the exact terminology may vary from one state to the next. Some states recognize this cause of action as one for tortious interference with prospective business (not contractual) relations, others may call it tortious interference with prospective economic advantage, while others use the term "intentional" instead of "tortious" to describe the interference. See, e.g., *Cont'l Indus. Grp., Inc. v. Altunkilic*, 2018 U.S. Dist. LEXIS 50743, at \*10 (S.D.N.Y. Mar. 27, 2018) (noting that claim for "[t]ortious interference with a business relationship" is "sometimes called tortious interference with prospective economic advantage");

*Dumsday*, 268 A.D.2d 350 (sustaining claim for "intentional interference with prospective relations"). You should pay careful attention to how courts in your state label this cause of action in researching your complaint.

For more information on tortious interference with prospective contractual or business relations, see [Tortious Interference with a Third Party](#), 2-12 Business Torts § 12.03, and 2-12 Business Torts § 12.07.

### ***Conversion***

Employers planning to assert claims arising from the suspected theft of confidential information or trade secrets should consider including a claim for conversion. A common law cause of action available in most jurisdictions, conversion generally refers to the unauthorized exercise of ownership or possession over property belonging to another and to the exclusion of the property's rightful owner (or possessor). Conversion claims are often bundled with claims for trade secret misappropriation, unfair competition, and breach of one or more restrictive covenants. See *Nisselson v. DeWitt Stern Grp., Inc.*, 225 B.R. 51, 57 (S.D.N.Y. 1998) ("An employee who misappropriates [confidential customer] information or uses it for his or her own benefit may be liable for misappropriation and conversion or unfair competition."); see also *Allan Dampf, P.C. v. Bloom*, 127 A.D.2d 719, 720 (N.Y. App. 2d Dep't 1987) (affirming judgment on conversion claim based on evidence that defendant-employee "converted protected trade secrets from the plaintiff when he copied and used the information on the recall list to solicit and divert [plaintiff's] patients").

Historically, a plaintiff could only assert a cause of action for conversion if the property at issue was tangible. See generally *Thrifty-Tel, Inc. v. Bezenek*, 54 Cal. Rptr. 2d 468, 472 (Ct. App. 1996) ("Courts have traditionally refused to recognize as conversion the unauthorized taking of intangible interests that are not merged with, or reflected in, something tangible."). In recent years, however, many jurisdictions have extended the cause of action to cover intangible forms of property, including electronic files and documents. See, e.g., *Thyroff v. Nationwide Mut. Ins.*, 8 N.Y.3d 283 (2007) (recognizing "society's reliance on computers and electronic data" and holding that "a claim of conversion in New York" now includes "electronic records that were stored on a computer").

But beware: whether the property is physical or electronic, the exclusion requirement remains, often tripping up employers who retained possession of the original file

and underlying information. See *Reis, Inc. v. Spring11 LLC*, 2016 U.S. Dist. LEXIS 131486, at \*27–28 (S.D.N.Y. Sept. 26, 2016) (“While New York courts have recognized that conversion can be predicated on the loss of intangible electronic data, that case law has not alter[ed] the traditional rule requiring the exercise of unauthorized dominion and control to the complete exclusion of the rightful possessor.” (internal quotation marks omitted)); see, e.g., *Pure Power Boot Camp, Inc. v. Warrior Fitness Boot Camp, LLC*, 813 F. Supp. 2d 489, 536 (S.D.N.Y. 2011) (“While Belliard did assume or exercise control over Pure Power’s client list to the extent that he accessed the client list from a Pure Power computer and downloaded it onto a thumb drive, Belliard possessed only a copy of the client list and did not, in any way, limit or otherwise deprive Pure Power of possession or use of that list.”). Research the law in your jurisdiction to determine whether a conversion cause of action is appropriate based on the circumstances of the case.

### ***The Computer Fraud and Abuse Act***

Another cause of action to consider is one under the Computer Fraud and Abuse Act (CFAA). The CFAA allows employers to bring a civil claim against a former employee who accessed its computers without authorization and, as a result, caused the employer a loss of \$5,000 or more.

A cause of action under the CFAA, 18 U.S.C. § 1030, features a few notable distinctions from some of the causes of action we have already discussed. On the one hand, employers may bring CFAA claims in federal court, and the information improperly taken need not necessarily rise to the level of a legally protected trade secret. In fact, CFAA claims do not require that the defendant-employee actually use or misappropriate the information at all; he or she only needs to access it without authorization. See 18 U.S.C. § 1030(a)(2) (extending CFAA prohibitions to “[w]hoever . . . intentionally accesses a computer without authorization, or exceeds authorized access, and thereby obtains . . . information from any protected computer”). In these respects, a cause of action under the CFAA may be easier to plead than your typical trade secret misappropriation claim under state law. On the other hand, CFAA claims generally offer much less in potential damages, and, to maintain a CFAA claim, plaintiffs must show a loss of at least \$5,000. See 18 U.S.C. § 1030(c)(4)(A)(i).

Notably, courts have construed the term “loss” to exclude things like the value of the information or any revenue the employer lost from the former employee’s misappropriation of the information. See *Teva Pharm. USA, Inc. v. Sandhu*,

291 F. Supp. 3d 659, 674 (E.D. Pa. 2018) (“Teva cannot recover under the CFAA for lost revenue caused by misappropriation of confidential information.”); *Spec Simple, Inc. v. Designer Pages Online LLC*, 56 Misc. 3d 700, 710 (N.Y. Sup. Ct., N.Y. Cnty. 2017) (holding that “losses set forth in the [plaintiff’s complaint]—unfair competition losses due to [defendant] DPO’s poaching customers after upgrading its product with the benefit of plaintiff’s misappropriated trade secrets—are not recoverable under the CFAA”); *Andrews v. Sirius XM Radio Inc.*, 932 F.3d 1253, 1262–63 (9th Cir. 2019) (stating that “any theory of loss must conform to the limited parameters of the CFAA’s definition” and holding that plaintiff failed to “argue that his allegedly lost revenue occurred because of an interruption of service, and so his purported injury is not cognizable under the CFAA”). Instead, courts have focused on costs or damages directly tied to the unauthorized access, such as the cost of restoring the system to its condition prior to the offense and revenue lost because of interruptions in service. See, e.g., *Yoder & Frey Auctioneers, Inc. v. EquipmentFacts, LLC*, 774 F.3d 1065, 1073 (6th Cir. 2014) (holding that plaintiff suffered actionable “loss” under CFAA where plaintiff had to expend “between 200 and 300 hours” investigating defendant’s actions and conducting a “damage assessment”); *Brown Jordan Int’l, Inc. v. Carmicle*, 846 F.3d 1167, 1174 (11th Cir. 2017) (agreeing with the Fourth and Sixth Circuits that loss for purposes of the CFAA includes the “reasonable costs incurred in connection with such activities as responding to a violation, assessing the damage done, and restoring the affected data, program system, or information to its condition prior to the violation,” and “revenue lost, cost incurred, or other consequential damages incurred because of interruption of service”).

Courts have imposed additional limitations on employers seeking to assert CFAA claims. For example, a number of court decisions have held that the CFAA “does not apply to a so-called faithless or disloyal employee,” meaning an employee who has been properly granted access to their employer’s computer system and then “misuses” that access by, for example, misappropriating files or information. See *Exec. Trim Constr., Inc. v. Gross*, 2021 U.S. Dist. LEXIS 44682, at \*37 (N.D.N.Y. Mar. 10, 2021) (internal quotation marks omitted) (collecting cases).

Indeed, the United States Supreme Court has substantially limited the scope of the CFAA. See *Van Buren v. United States*, 2021 U.S. LEXIS 2843 (June 3, 2021). It held that the clause “exceeds authorized access” under the CFAA is limited to situations in which an individual “accesses a computer with authorization but then obtains information

located in particular areas of the computer—such as files, folders, or databases—that are off limits to him.” Van Buren, 2021 U.S. LEXIS 2843 at \*32. For employers, this likely means that an employee will not be held liable under the CFAA for improperly misappropriating and disclosing confidential information obtained from a work computer in which an employee was authorized to access data, unless the employee circumvented technological barriers to access the data at issue. Employers should work closely with both their counsel and technical support or Information Technology staff to determine whether the conduct at issue gives rise to a potential CFAA claim.

For additional detailed information on the CFAA, see [Cybersecurity Measures to Protect Employers’ Confidential Information and Trade Secrets, Counterclaims or Separate Lawsuits against Plaintiff Employees](#), and [Defend Trade Secrets Act \(DTSA\) and Other Legal Claims and Recourse to Protect Employers’ Confidential Information and Trade Secrets](#).

## **Causes of Action against the New Employer**

### ***Aiding and Abetting Breach of Fiduciary Duty or Duty of Loyalty***

Suppose you have already decided to assert a cause of action for breach of fiduciary duty or duty of loyalty against the employee. You should review the results of your investigation to determine whether to include an additional cause of action against the new employer for aiding and abetting breach of fiduciary duty or duty of loyalty.

As we previously discussed, a cause of action for breach of fiduciary duty or duty of loyalty typically arises where the employee, your would-be defendant, engaged in one or more acts of misconduct while still working for an employer. A typical fact pattern might involve an employee who, intending to join a competitor, solicits his or her employer’s clients to close their accounts with the employer and instead give their business to the competitor. Not content just with this misconduct, the same employee might also induce other employees to resign from their employment and join the competitor. Whether or not the employee signed any restrictive covenants or made off with your trade secrets, this fact pattern likely warrants a claim for breach of fiduciary duty (or duty of loyalty, depending on your jurisdiction).

The same fact pattern may warrant a separate claim against the competitor for aiding and abetting the employee’s breach. The lynchpin of a successful aiding and abetting

claim is the degree of the new employer’s level of involvement in the misconduct at issue. For example, New York courts look for evidence that the defendant had actual knowledge of the primary violator’s status as a fiduciary and knowingly induced or participated in the primary breach by providing substantial assistance to the primary violator. *Lerner v. Fleet Bank, N.A.*, 459 F.3d 273, 294 (2d Cir. 2006); *Kaufman v. Cohen*, 307 A.D.2d 113, 125–26 (N.Y. App. 1st Dep’t 2003) (“A person knowingly participates in a breach of fiduciary duty only when he or she provides ‘substantial assistance’ to the primary violator.”). New York courts have found substantial assistance present only where the “alleged aider and abettor affirmatively assists, helps conceal or fails to act when required to do so, thereby enabling the breach to occur.” *In re Sharp Int’l Corp.*, 403 F.3d 43, 50 (2d Cir. 2005) (internal quotation marks omitted); *Kaufman*, 307 A.D.2d at 126. You should compare the law of your jurisdiction to the results of your investigation to determine whether this claim may be viable in your situation.

### ***Tortious Interference with Contract***

We discussed a potential cause of action for tortious interference with contract (or contractual relations) against the employee. Depending on the evidence at hand, you may consider asserting this cause of action against the new employer as well. A typical example would be if a competitor was aware of one of the former employee’s restrictive covenants and induced or encouraged that employee to breach those covenants. To be more specific, if a direct competitor learns that the former employee has a non-compete covenant restricting him or her from accepting employment with that competitor, but still proceeds to induce and encourage him or her to accept employment with the competitor, it may be worthwhile to include a tortious interference with contract claim in the complaint. The same may be true if the competitor actively helps or assists the former employee in improperly soliciting the former employer’s clients or employees in violation of his or her non-solicit or non-recruit covenants. See, e.g., *Optos, Inc. v. Topcon Med. Sys., Inc.*, 777 F. Supp. 2d 217, 241 (D. Mass. 2011) (issuing preliminary injunction on tortious interference claim based on evidence that defendant encouraged plaintiff’s former employee to use plaintiff’s confidential customer list to solicit its customers); *Lacayo*, 2020 U.S. Dist. LEXIS 218750, at \*14 (issuing preliminary injunction on tortious interference claim against defendants who “solicited current and former Mallet employees to breach their contractual (and other) duties to Mallet”).

# Maintaining Confidentiality of Trade Secrets and Confidential Information

Regardless of the number of causes of action you assert, one balance must always be struck in litigation involving restrictive covenants and trade secrets: to provide the court with sufficient detail about your claims without giving away sensitive employer information for all the world to see. A few things to keep in mind when drafting your complaint:

- **Draft with discretion.** In drafting the complaint, you should aim to provide enough background about the general nature and importance of the information that was stolen, but without revealing the underlying substance or data. In a trade secret misappropriation cases in some jurisdictions, the complaint and a request for a temporary restraining order (TRO) must describe the trade secret with some particularity; if the description is too ambiguous, some courts may deny the TRO request or dismiss the complaint entirely. See, e.g., *Diodes, Inc. v. Franzen*, 260 Cal. App. 2d 244, 252–53 (Ct. App. 1968); *Nextdoor.com, Inc. v. Abhyanker*, 2013 U.S. Dist. LEXIS 101440, at \*14–20 (N.D. Cal. July 19, 2013).
- **File under seal if necessary.** To avoid the public from seeing descriptions of the employer’s trade secrets, you may want to file the complaint and/or certain supporting documents under seal in jurisdictions that permit filing under seal. Documents filed under seal typically are provided directly to the court and other parties and are not viewable on the public docket. In deciding whether to approve a request to file under seal, courts will generally weigh the public’s right to access versus the employer’s interest in keeping the information secret; parties must show compelling reasons for sealing the information. *Kamakana v. City & County of Honolulu*, 447 F.3d 1172, 1178–79 (9th Cir. 2006). Be prepared; litigating under seal triggers an array of mechanical rules and requirements not applicable to your typical lawsuit, and there is always a risk that information filed under seal will be unsealed in the future. Once you have selected your forum, consider whether filing documents under seal makes sense in your case.

For more information on filing under seal, see [Motion for Protective Order: Making the Motion \(Federal\) – Sealing Orders](#).

- **Protect your documents.** Once the litigation begins, consider entering into a confidentiality stipulation (also known as a stipulated protective order) with your adversary. A typical confidentiality stipulation will require

that all documents produced in the case are stamped **Confidential**, and that no party is permitted to disclose the document to a third party without your consent.

Depending on the sensitivity of the information, it may also be worth designating certain documents **Attorneys’ Eyes Only** (AEO) or **Highly Confidential**. As the name implies, AEO-designated documents may be viewed only by the parties’ attorneys. While some courts have recognized AEO designations as “a routine feature of civil litigation involving trade secrets,” *In re The City of New York*, 607 F.3d 923, 935 (2d Cir. 2010), in many courts the burden for designating documents AEO remains high, even in cases involving trade secret information. See *Penn, LLC v. Prosper Bus. Dev. Corp.*, 2012 U.S. Dist. LEXIS 168577, at \*12 (S.D. Ohio Nov. 28, 2012) (“The mere presence of ‘trade secrets’ does not automatically entitle the producing party to an AEO protective order. . . . Even if the Court accepts as true the fact that certain documents contain ‘trade secrets,’ it remains Prosper’s burden to show why the documents should be designated AEO.”); *Team Play, Inc. v. Boyer*, 2005 U.S. Dist. LEXIS 3968 at \*2–3 (N.D. Ill. Jan. 31, 2005) (noting that an AEO designation should “only be used on a relatively small and select number of documents where a genuine threat of competitive or other injury dictates such extreme measures” (internal quotation marks omitted)).

A middle ground is a **Highly Confidential** designation. In litigation involving trade secrets, documents designated as Highly Confidential typically involve a subset of particularly sensitive pieces of information that (if disclosed) may result in competitive injury or disadvantage to the disclosing party. See, e.g., *Procaps S.A. v. Patheon Inc.*, 2015 U.S. Dist. LEXIS 94010, at \*7 (S.D. Fla. July 20, 2015) (reviewing previously entered confidentiality order under which “‘Highly Confidential Information’ is a narrow subset of ‘Confidential Information,’ containing trade secrets or information of a competitively sensitive nature that would create a genuine risk of competitive injury if disclosed to a Receiving Party”) (emphasis omitted). Documents designated Highly Confidential generally are viewable by a select group of individuals agreed upon by the parties and which is more inclusive than for AEO-designated documents, and which might include the receiving party’s attorneys and legal staff, the author and recipient of the document, the receiving party’s retained expert or technical adviser, and the expert or technical adviser’s legal counsel. See, e.g., *In re Enron Corp.*, 2002 Bankr. LEXIS 2201, at \*14–15 (Bankr. S.D.N.Y. Oct. 10, 2002) (entering discovery order under which the “Requesting Parties may disclose Confidential Information designated

Highly Confidential only to the attorneys and their staff and experts and their staff of the Requesting Parties and witnesses and his or her counsel. Unless ordered by the Court or agreed by the Non-Party Producer, Highly Confidential Information shall not be made available to any other person or entity”).

Employers and their counsel should research applicable law and review any documents possibly worth protecting with one or more confidentiality designations available under the rules for the applicable court and jurisdiction.

For more information on confidentiality stipulations and protective orders, see [Motion for Protective Order: Making the Motion \(Federal\)](#).

- **Do not forget your forum.** Whether by contractual provision or otherwise, many lawsuits of this type end up in arbitration. A comprehensive review of the potential benefits and drawbacks of arbitration is beyond the scope of this practice note. For our purposes, however, we would be remiss in not pointing out the generally confidential nature of arbitrations. Arbitrations do not feature public dockets or (generally) attract press attention to the level of a lawsuit filed in court.

## Responding to a Request for a Declaratory Judgment

One strategy a defendant-employee may adopt is to seek a declaratory judgment against the employer. A request for declaratory judgment is where a litigant asks the court (or arbitrator) to make a legal determination on a specific issue, such as whether a contract is valid. For example, a former employee who has reason to anticipate a lawsuit concerning his or her restrictive covenants may seek a declaratory judgment that his or her restrictive covenants are not enforceable under applicable law.

In bringing a declaratory judgment action, the former employee typically has identified a specific opportunity he or she seeks to pursue (or has begun pursuing) and which implicates one or more restrictive covenants, such as employment with a competitor or pursuit of a client of his or her former employer. See, e.g., *Maltby v. Harlow Meyer Savage, Inc.*, 166 Misc. 2d 481, 484 (N.Y. Sup. Ct., N.Y. Cnty. 1995) (in declaratory judgment action in which former employees sought “a declaration that the restrictive covenant not to compete contained in [employer’s] employment agreements are unenforceable,” plaintiffs had recently “commenced employment with Cantor Fitzgerald, a direct competitor” of employer), *aff’d*, 223 A.D.2d 516 (N.Y. 1st Dep’t 1996); *Poller v. BioScrip, Inc.*, 974 F. Supp. 2d 204, 211–12 (S.D.N.Y. 2013) (in declaratory

judgment action regarding “the enforceability of the [former employee’s contractual] restrictions,” former employee signed new employment agreement with employer’s competitor on same day that declaratory judgment action was filed). Some courts have refused to grant declaratory relief to former employees who failed to sufficiently identify the harm they claim would result if their restrictive covenants were to remain intact. See *Kelly v. Evolution Mkts., Inc.*, 626 F. Supp. 2d 364, 374–75 (S.D.N.Y. 2009) (denying summary judgment on former employee’s claim for declaratory judgment that non-recruitment restriction was unenforceable because “Kelly [the former employee] has not indicated his desire or willingness to recruit any employee away from EvoMarkets,” and that “[e]ven if Kelly harbors a strong desire to do so, Kelly has not identified any such potential recruit, and the Court is neither inclined nor permitted to guess Kelly’s recruitment strategy and target”).

Different jurisdictions have different procedural rules regarding declaratory judgments. Some jurisdictions may permit a party to make a motion for declaratory judgment on a specific issue (such as the enforceability of a contractual covenant), while other jurisdictions may contemplate a declaratory judgment only as a cause of action a party might include in its complaint or as a counterclaim in its answer.

If hit with a declaratory judgment request (whether by motion, cause of action, or a newly filed case against the employer), review the request to determine whether the subject matter is appropriate for declaratory relief and whether your adversary has properly made the request. If the employee’s request for declaratory judgment takes the form of a lawsuit against the employer and concerns the employee’s restrictive covenant agreement, consider whether you might have a defense to the lawsuit based on any forum or venue provisions in the agreement.

The inclusion of such a forum selection clause and/or venue provision may expand the range of options for initially responding to a declaratory judgment action. For instance, if the employee files a declaratory judgment action in court notwithstanding a requirement in the agreement that the parties submit any disputes to arbitration, the employer might respond by filing a motion to compel arbitration. At the same time, the employer should also consider commencing arbitration in the arbitral forum specified in the agreement (or seeking an injunction in aid of arbitration) to maximize its rights under the agreement. If the agreed-upon forum is a court in a jurisdiction other than the court where the employee filed the declaratory judgment action, the employer might consider filing a motion to dismiss for improper venue, or, if the complaint

was filed in federal court and the forum specified in the agreement is a federal court in another district, filing a motion to transfer venue. Put simply, employers faced with an employee's declaratory judgment suit should consider at the outset whether the employee's chosen forum comports with any forum or venue provisions in the agreement.

Depending on the facts and circumstances, the employer may consider going on the offensive in the employee's declaratory judgment action. For instance, the employer should consider asserting one or more of counterclaims based on the relevant agreement and the employee's suspected misconduct. See *Considerations for Drafting Your Complaint and Asserting Causes of Action*, above, for potential claims an employer might consider asserting as counterclaims in a former employee's declaratory judgment action. Depending on the available evidence, the employer might also consider moving (as a defendant) for a temporary restraining order (TRO) and/or preliminary injunction to enforce the applicable restrictive covenant(s) and enjoin any further misconduct by the employee. For more detail and guidance on TROs and preliminary injunctive relief, see *Insights into Whether and How to Seek Injunctive Relief (Including Temporary Restraining Orders (TROs) and Preliminary Injunctions (PIs))*, below.

For more information on declaratory judgments, see 12 Moore's Federal Practice - Civil § 57.01 et seq.

## Insights into Whether and How to Seek Injunctive Relief (Including Temporary Restraining Orders (TROs) and Preliminary Injunctions (PIs))

Do not take lightly a decision to commence legal action against an employee, former employee, and/or a former employee's new employer. If an employer has actual evidence, or a good-faith reason to believe, that an employee (or former employee) has violated restrictive covenants and/or common-law obligations that threaten the employer's confidential information, client and employee relationships, or other legitimate business interests, the employer should strongly consider filing an action that includes a request for injunctive relief to put a stop to the harm or potential imminent harm to the employer.

## Common Forms of Requested Injunctive Relief (TROs and PIs)

The most common forms of requested injunctive relief are temporary restraining orders (TROs) and preliminary injunctions (PIs).

### TROs

On a TRO application, the movant is seeking short-term temporary relief from a court until the court has an opportunity to consider an evidentiary record and a fuller opposition from the opposing party(ies). If the employer has hard evidence or a good-faith reason to believe that an employee has engaged in conduct that poses an imminent risk of misappropriation of confidential information or loss of key clients, or some other imminent harm to the business, the employer should seek a TRO as soon as practicable. A TRO application, which the movant files along with a complaint, will generally require a proposed order to show cause outlining the injunctive relief sought, a sworn emergency affidavit from a person with knowledge of the facts, and a supporting memorandum of law. The sworn affidavit should explain to the court how and why the employer faces an imminent risk of harm (e.g., the employer has evidence that employee downloaded sensitive company files the day before he or she resigned) such that the court should temporarily enjoin an employee or another party from engaging in certain conduct until the court holds a more fulsome PI hearing.

TRO applications in employment disputes are generally not made ex parte. That is, unless the employer is able to demonstrate that providing notice to the opposing party would lead to further irreparable harm, the employer (as the movant) generally must give the opposition reasonable notice of its intent to make a TRO application.

For more information on TROs, see [Temporary Restraining Orders: Seeking a TRO \(Federal\)](#).

### PIs

While TROs are generally intended to secure short-term temporary relief prior to any evidentiary hearings, PIs are typically sought to preserve a status quo based on a limited evidentiary record pending a full trial at the end of the case. That is, a PI enjoins a party from taking a particular action throughout the duration of the case until a full trial on the merits. Because lawsuits may last months (if not years), securing a PI is often critical to protecting the employer's interests.

Like TROs, parties generally seek PIs by written application to the court. In fact, parties often seek PIs through the same initial application as a TRO. For instance, an employer might file a complaint accompanied by an application for a TRO and a PI, with the application supported by motion papers such as a memorandum of law, one or more sworn affidavits from witnesses with knowledge of relevant facts, and a proposed order to present to the court. A court presented with a TRO/PI application typically will issue an order granting or denying the relief requested in the TRO application, and set a date for an in-court hearing on the PI application. In scheduling the PI hearing, the court also will likely set a briefing schedule under which the opposing party (here, the employee) may file a memorandum of law and proffer its own evidence in opposition to the employer's application.

Successfully obtaining a PI generally requires that an employer satisfy several factors, such as a demonstration that it will likely succeed on the merits of its underlying claims and that it will suffer irreparable harm if the court were to deny its PI application. We discuss these and the other factors typically required for obtaining injunctive relief in the section entitled Factors for Obtaining Injunctive Relief, below.

For more information on seeking PIs, see [Preliminary Injunction Hearings in Breach of Restrictive Covenant and Trade Secret Misappropriation Actions: Best Practices for Plaintiff Employers](#) and [Preliminary Injunctions: Seeking a Preliminary Injunction \(Federal\)](#).

### ***Avoid Delays When Seeking TROs and PIs***

An employer's failure to promptly seek a TRO and/or PI could make it more difficult to demonstrate to a court that the employer faces a situation warranting emergency relief. See, e.g., *Southtech Orthopedics, Inc. v. Dingus*, 428 F. Supp. 2d 410, 420 (E.D.N.C. 2006) (“[T]he six to nine week delay between plaintiff’s discovery of defendant’s competitive activities and its filing suit weighs against injunctive relief.”); *Embarcadero Techs., Inc. v. Redgate Software, Inc.*, 2017 U.S. Dist. LEXIS 191317, at \*14 (W.D. Tex. Nov. 20, 2017) (“If the harm Plaintiffs feared were indeed irreparable, it is unclear why they, knowing all of the

primary facts forming the basis for their claims by April at the latest, filed the complaint on May 11, did not request a hearing or file a brief supporting their application for a preliminary injunction until June 12, and, once the Court set a hearing for July 25, requested that the hearing be moved to early September.”). See the section below entitled Factors for Obtaining Injunctive Relief for factors courts consider, including that the movant would suffer irreparable harm in the absence of injunctive relief. The TRO or PI application may also include a request for expedited discovery so that the employer can quickly learn the full extent of the potential breaches and/or tortious conduct.

### ***To Seek or Not to Seek a TRO or PI?***

Whether to seek a TRO or PI against a former employee involves both legal and practical considerations, and may turn on the specific employee and the suspected misconduct. For example, say that an employer learns that a non-unique former employee with a covenant not to compete accepts employment with a direct competitor to work in a similar position, but there is no evidence that the employee has taken any of the employer's confidential information or trade secrets. Should the employer still seek to enjoin the employee based on the covenant not to compete, and if so, will the employer succeed?

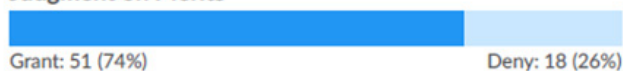
The answer to both questions is: it depends on the facts and circumstances and the applicable law. Even without evidence of actual misappropriation of trade secrets or confidential information, the employer still may have one or more protectable interests warranting protection through an injunction preventing the employee from breaching the non-compete. For information on protectable interests, see [Restrictive Covenant Basics, Including Adequate Consideration, Protectable Interests, Geographic and Time Restrictions, and Permissible Scope – Determining the Employer's Legitimate Protectable Interests](#).

Whether to seek a TRO or PI against a former employee may also depend on the likely success of such legal maneuvers. The charts below illustrate the success rate for different types of injunctions sought in federal district court trade secret cases over the past five years.

# Injunctive Relief by Judgment Type for Federal District Court Trade Secret Cases Terminating from 2016 to 2020

## Permanent Injunction

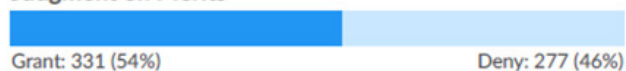
### Judgment on Merits



	Default Judgment	Consent Judgment	Judgment on Merits
Grant	71	656	51
Deny	1	0	18
Total	72	656	69

## Preliminary Injunction

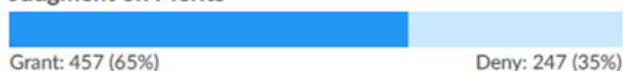
### Judgment on Merits



	Default Judgment	Consent Judgment	Judgment on Merits
Grant	0	287	331
Deny	0	0	277
Total	0	287	608

## Temporary Restraining Order

### Judgment on Merits



	Default Judgment	Consent Judgment	Judgment on Merits
Grant	0	112	457
Deny	0	0	247
Total	0	112	704

Source: Lex Machina®, [Trade Secret Litigation Report 2021](#). For more information on Lex Machina and to sign up for a live demo, click [here](#).

### *Employer's Interest in Customer Goodwill and Relationships*

In many jurisdictions an employer has a protectable interest in its customer goodwill and relationships. For instance, in *Group Health Solutions, Inc. v. Smith*, 2011 N.Y. Misc. LEXIS 4402, at \*14 (N.Y. Sup. Ct., N.Y. Cnty. Aug. 5, 2011), despite no evidence of misappropriation, the court denied defendant former employee's motion to dismiss a breach of non-compete claim because of the employer's "legitimate interest in protecting [its] relationships and goodwill." The former employee had interacted with former employer's customers during employment and then allegedly subsequently used these business relationships to compete with his former employer. 2011 N.Y. Misc. LEXIS 4402, at \*15.

### *Inevitable Disclosure Doctrine*

Depending on the employee's prior role and position, the employer may also have an interest in preventing him or her from misusing competitively valuable confidential information he or she did not "take" by, for example, downloading files or printing documents, but still possesses by virtue of having received or been exposed to such information. In several jurisdictions, the inevitable disclosure doctrine may allow for injunctive relief against a former employee whose acceptance of competing employment threatens disclosure of his or her former employer's trade secrets, even though the employee did not actually misappropriate the employer's trade secrets or confidential information.

A federal court addressed the potential use of this doctrine under New York law in *IBM v. De Freitas Lima*, 2020 U.S. Dist. LEXIS 161532, at \*22 (S.D.N.Y. Sep. 3, 2020),



aff'd, 833 F. App'x 911 (2d Cir. 2021). In *De Freitas Lima*, the court invoked the inevitable disclosure doctrine to enjoin a former IBM executive from accepting competing employment with a new employer pursuant to a 12-month non-compete. In determining whether the inevitable disclosure doctrine applied, the court considered four factors articulated in a prior decision that (coincidentally) also involved IBM: “(1) the extent to which the new employer is a direct competitor of the former employer; (2) whether the employee’s new position is nearly identical to his old one, such that he could not reasonably be expected to fulfill his new job responsibilities without utilizing the trade secrets of his former employer; (3) the extent to which the trade secrets at issue would be valuable to the new employer; and (4) the nature of the industry and its trade secrets.” *De Freitas Lima*, 2020 U.S. Dist. LEXIS 161532, at \*35 (quoting *I.B.M. Corp. v. Papermaster*, 2008 U.S. Dist. LEXIS 95516 (S.D.N.Y. Nov. 21, 2008)). Citing an evidentiary record that included testimony from multiple IBM officials as to the “head-to-head” competition between IBM and the new firm and the virtually “identical” job responsibilities the executive would have in his new position, the *Lima* court found these factors satisfied and entered IBM’s requested preliminary injunction. *De Freitas Lima*, 2020 U.S. Dist. LEXIS 161532, at \*36; see also *Papermaster*, 2008 U.S. Dist. LEXIS 95516, at \*25, 34 (enforcing non-compete against former IBM employee who had access to “sensitive and confidential information” concerning IBM’s “strategic plans, product development, technical recruitment, and long-term business opportunities,” finding the “likely inevitability of even inadvertent disclosure . . . sufficient to establish a real risk of irreparable harm to IBM”).

On the other hand, courts in several jurisdictions have declined to adopt the doctrine. See, e.g., *LeJeune v. Coin Acceptors, Inc.*, 381 Md. 288, 300, 849 A.2d 451, 458 (2004) (holding that circuit court “erred in relying on the theory of ‘inevitable disclosure,’ which does not apply in Maryland”).

For information on the inevitable disclosure doctrine in all states, see the Restrictive Covenant practice notes in [Non-competes and Trade Secret Protection State Practice Notes Chart](#).

In short, depending on the particular circumstances and applicable law, there may be multiple grounds on which an employer can obtain injunctive relief against a former employee for breaching a restrictive covenant even without evidence of a “smoking gun.”

For more information on seeking TROs, see [Temporary Restraining Orders: Seeking a TRO \(Federal\)](#). For more information on seeking PIs, see [Preliminary Injunctions: Seeking a Preliminary Injunction \(Federal\)](#).

## Factors for Obtaining Injunctive Relief

As a general matter, to succeed on a TRO (or PI) application, the movant must demonstrate each of the following:

- A likelihood of success on the merits of the claim(s)
- Irreparable harm to the movant if the court denies injunctive relief –and–
- That the balance of equities is in the movant’s favor

In federal court, the movant must also demonstrate that an injunction is in the public interest. See *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20–22 (2008). For information on each federal circuit court standard, see [Pretrial Injunctive Relief Standards \(Federal\)](#). For information on both federal and state court preliminary injunctive relief standards, see the restrictive covenant practice notes in [Non-competes and Trade Secret Protection State Practice Notes Chart](#).

At a hearing on a TRO/PI application, the assigned judge will generally give the movant and the opposing party each an opportunity to present their case. As addressed below, the movant must be prepared to articulate how it satisfies each of the TRO/PI factors.

## Likelihood of Success on the Merits

On a claim of breach of a restrictive covenant agreement, likelihood of success on the merits often turns on whether the agreement at issue is enforceable. Each state has its own statutory or common law governing the enforceability of restrictive covenants. For example, in New York, courts will enforce restrictive covenants that (1) are reasonable in time and space, (2) protect legitimate interest(s) of the employer, (3) do not impose an undue hardship on the employee, and (4) are not injurious to the public. See, e.g., *BDO Seidman v. Hirshberg*, 93 N.Y. 2d 382, 388–89 (1999) (partially enforcing non-compete). For information on all states’ restrictive covenant standards, see [Non-competes and Trade Secret Protection State Practice Notes Chart](#).

For claims of misappropriation of trade secrets or confidential information, an employer may demonstrate likelihood of success by, among other things, advising the court of the nature of the information that an employee has wrongfully retained, the steps the company took to

preserve the confidentiality of such information, and how the employee has already used such information, or may use such information to harm the business. See, e.g., *Marcone APW, LLC v. Servall Co.*, 85 A.D.3d 1685, 1693 (N.Y. App. 4th Dep't 2011) (determining that customer names, contacts, and business information was a trade secret that must be protected from misuse).

### ***Irreparable Harm if the Court Does Not Grant Injunctive Relief***

For the irreparable harm prong, the employer should demonstrate to the court that, should the employee's conduct remain unchecked, the employer is in danger of serious harm to the employer's business interests for which money damages are not sufficient. The employer's restrictive covenant agreement with the employee may contain an acknowledgment from the employee that a breach or threatened breach would result in irreparable harm to the employer.

Case law in the jurisdiction in which the employer seeks injunctive relief should also provide helpful guidance. In New York, for example, violations of restrictive covenants that result in the misuse of confidential information or loss of client relationships or goodwill may satisfy the irreparable harm standard. See, e.g., *Second on Second Café v. Hing Sing Trading*, 66 A.D.3d 255, 272–73 (N.Y. App. 1st Dep't 2009) (holding that the loss of the goodwill of a viable, ongoing business can “constitute irreparable harm warranting the grant of preliminary injunctive relief”); *FTI Consulting, Inc. v. PricewaterhouseCoopers LLP*, 8 A.D.3d 145, 146 (N.Y. App. 1st Dep't 2004) (finding breach of restrictive covenants constitutes irreparable harm where the loss of goodwill is not readily quantifiable); *Chertoff Diamond & Co. v. Fitzmaurice*, 234 A.D.2d 200, 203 (N.Y. App. 1st Dep't 1996) (holding “it clearly shown that plaintiff would suffer irreparable harm should its clients terminate their relationships with it to use defendants’ services”); *Alside Div. of Associated Materials Inc. v. Leclair*, 295 A.D.2d 873, 874 (N.Y. App. 3d Dep't 2002) (“[I]f defendants are permitted to compete unfairly by using plaintiff’s confidential and proprietary pricing information to underbid it, plaintiff will not only lose business, but will also suffer a dilution of the good will it has developed with its customers. Such a loss of customer good will can constitute irreparable harm for preliminary injunction purposes.”); *Aon Risk Servs., N.E. v. Cusack*, 2011 N.Y. Misc. LEXIS 6392, at \*59 (Sup. Ct., N.Y. Cnty. Dec. 20, 2011) (stating that “under New York law, it is clear that the continuing violations of restrictive covenants that result in the loss of customer goodwill or proprietary information constitute irreparable harm, incapable of being measured monetarily at the time injunctive relief is requested”).

### ***Balance of Equities in the Movant’s Favor***

When an employer seeks to enforce a restrictive covenant, courts will weigh the potential hardship to an employee should the court grant the requested injunctive relief against the harm to the employer if the court denies the injunctive relief. The restrictive covenant at issue may contain an acknowledgment from the employee agreeing not to contend hardship if the employer seeks to enforce the restrictive covenants, because, for example, the employee remains free to engage in certain business activities that will enable the employee to continue to earn a livelihood.

The movant should also look at precedent in the applicable jurisdiction. Courts in some jurisdictions have found that any hardship to an employee from enforcing the restrictive covenant agreement is ameliorated by the employee's informed acceptance of such an outcome when he executed the agreement, and, ultimately, chose to violate it. See *DAR Assoc., Inc. v. Uniforce Servs., Inc.*, 37 F. Supp.2d 192, 200 (E.D.N.Y. 1999); *Mercer Health & Benefits LLC v. DiGregorio*, 307 F. Supp. 3d 326, 354 (S.D.N.Y. 2018) (finding that balance of equities “tips decidedly in favor of” employer who “merely seeks to maintain the status quo for its current clients and prevent Defendants from breaching their contractual obligations, breaching their fiduciary duties and engaging in tortious and unfair business practices”); *Jiffy Lube Int'l, Inc. v. Weiss Bros. Inc.*, 834 F. Supp. 683, 693 (D.N.J. 1993) (“To the extent that the defendants suffer significant . . . damage from the granting of the preliminary injunction, this harm is a predictable consequence of their willful breach of contract and their misconduct. As such, it is not the type of harm from which we seek to protect a defendant . . . [and] is not a basis for denying a plaintiff the relief to which it is legally entitled.”).

On the other hand, some courts may take a more forgiving stance towards employees who have been involuntarily terminated or whose job mobility may be impaired by market conditions stemming from the COVID-19 pandemic. See *Schuylkill Valley Sports, Inc. v. Corp. Images Co.*, 2020 U.S. Dist. LEXIS 103828, at \*48 (E.D. Pa. June 15, 2020) (denying employer's request for injunctive relief against terminated employee in part because “not all businesses are open” pursuant to government “stay-at-home orders,” such that the “likelihood of Snyder [the employee] finding employment at this time is therefore reduced”); *Yellowstone Landscape v. Fuentes*, 2020 U.S. Dist. LEXIS 140422, at \*22 (S.D. Tex. Aug. 6, 2020) (finding that balance of hardships favored employee who “will lose his job and be out of work in the middle of a pandemic if an injunction is granted”).

At least for the time being, then, employers seeking to enforce a restrictive covenant against a terminated employee should be prepared to address any concerns the court may have on these issues while continuing to emphasize their legitimate interests and the employee's underlying misconduct. See *Acteon, Inc. v. Harms*, 2020 U.S. Dist. LEXIS 210932, at \*32 (D.N.J. Nov. 6, 2020) (granting preliminary injunction against executive who was terminated “in June 2020 due to a reduction in force because of the pandemic” where it was “evident from [executive's] emails that as of May 2020, [executive] was already planning on joining [a direct competitor]” in violation of non-compete and non-disclosure restrictions).

## Potential Outcomes and Implications

### *Standing on Success*

If the company is successful on a TRO application, the court will enjoin the defendant(s) from engaging in certain conduct until the PI hearing, at which time the court may consider live witness testimony and additional documentary evidence. Depending on the court, the PI hearing could take place anywhere from a week to over a month after the date of issuance of the TRO. From the movant's perspective, the longer the period of time between the TRO and PI hearing, the more leverage the movant may have to negotiate a settlement with the opposition.

### *Preliminary Injunction Hearing*

Should the matter proceed to a PI hearing, the court may order expedited discovery prior to the hearing to enable the parties to more fully present their case. Nevertheless, a PI hearing is not a full-blown trial, and the court generally will limit the parties' presentations to determine whether the movant can satisfy the PI factors, which we discussed previously in this practice note.

Depending on jurisdiction, the PI hearing typically involves a mix of presentation of evidence and legal argument. Subject to any special procedures that may apply in light of the COVID-19 pandemic (as touched on below), evidence presented at a PI hearing generally takes the form of live testimony and documentary evidence such as witness affidavits or documents and communications related to the suspected breach. Should it elect (or be ordered) to present live testimony, an employer moving for a PI might call the following witnesses:

- The defendant-employee's former supervisor to testify to any sensitive nonpublic information the employee was privy to

- A former coworker of the defendant-employee who might testify to the client relationships and goodwill the employee had access to –and/or–
- Even an existing client to testify to any solicitations it has received from the defendant-employee and which may be in violation of one or more restrictive covenants

Whether to rest on written affidavits or present live testimony (and if so, which witnesses and on what subjects) will vary depending on jurisdiction, court rules, the judge presiding over the case, and the nature of the evidence. For example, presenting live witness testimony may assist the court in understanding the context and importance of written evidence such as emails or documents that the employer submitted in its written application.

Regardless of whether or not it elects to present live testimony, an employer seeking a PI should be prepared to articulate how the requisite PI factors tilt in its favor and warrant injunctive relief. In particular, the movant should brush up on the relevant agreement and the restrictive covenants at issue, and be prepared to demonstrate how the employer will be irreparably harmed (e.g., through misappropriation of trade secrets and/or confidential information and/or the loss of client goodwill) if the court does not grant the requested relief.

In addition, employers should confirm the logistics of the PI hearing and familiarize themselves with any special court procedures that may apply in light of the COVID-19 pandemic. For example, some courts have limited litigants' ability to file new “nonessential cases,” while others have implemented specific procedures for fielding requests for injunctive relief. Even more courts have begun holding “virtual” hearings, including virtual PI hearings, with the parties appearing remotely via computer programs like Zoom or Microsoft Teams rather than in person. The likelihood of a virtual PI hearing demands that employers not only carefully plan how to navigate these procedures and effectively present evidence through a computer screen, but also ensure that necessary fact witnesses are clued in and able to (virtually) attend. With the COVID-19 pandemic continuing to impact our daily lives and operations of the court system, employers should continue to work closely with counsel to present their most effective case, virtually or otherwise, and be prepared to address any COVID-19-related concerns the court may have during the hearing.

For additional guidance on preparing for and conducting preliminary injunction hearings in restrictive covenant and trade secret disputes, see [Preliminary Injunction Hearings in Breach of Restrictive Covenant and Trade Secret Misappropriation Actions: Best Practices for Plaintiff Employers](#).

### *Effect of Obtaining a Preliminary Injunction*

Should the movant succeed in obtaining a PI, the injunctive relief will remain in effect until a full-blown trial on the merits. In some jurisdictions, the trial may not begin for over a year from the date of the PI order. Moreover, the court's order on a PI application may telegraph how the court is likely to rule were the case to proceed to trial. Accordingly, parties may look to resolve the matter following the PI order but prior to trial, often leaving the PI hearing as the final litigated part of the dispute. A movant's success at the PI hearing often bodes well for these settlement discussions.

### *Dealing with Denial*

#### *Denial of TRO Application*

If a court denies a TRO application, the employer may wish to press for a PI hearing to be scheduled as soon as possible, so as to mitigate any adverse effects of the employee's ability to continue his or her contested actions prior to the PI hearing. Before doing so, the employer should consider whether expedited prehearing discovery would improve its chances of securing a PI; it may be the case that important documents or communications lie solely in possession of the departed employee and that obtaining such documents or communication would bolster the employer's case at the PI hearing. And, of course, the employer should heed any guidance or remarks that the court made during the TRO hearing to possibly improve its chances at obtaining a PI.

#### *Denial of PI*

If a court denies a PI, the employer will have to weigh the costs and risks of trial against the benefits of a potential positive outcome following trial. The employer should typically push for an expedited trial date so that it can seek to obtain the requested injunctive relief before too much additional time passes. If the court's order on the PI application expressly states or impliedly suggests that the court is denying injunctive relief because money damages could satisfy the harm at issue, if proven, then the employer may still have some leverage to seek a resolution short of trial.

For additional detailed guidance on seeking TROs and preliminary injunctive relief in federal court, see [Temporary Restraining Orders: Seeking a TRO \(Federal\)](#), [Preliminary Injunctions: Seeking a Preliminary Injunction \(Federal\)](#), [Pretrial Injunctive Relief: Seeking a Temporary Restraining Order \(TRO\) or Preliminary Injunction Checklist \(Federal\)](#), and [Preliminary Injunction Hearings in Breach of Restrictive Covenant and Trade Secret Misappropriation Actions: Best Practices for Plaintiff Employers](#).

For detailed guidance on opposing TROs and preliminary injunctive relief in federal court, see [Pretrial Injunctive Relief: Opposing a Temporary Restraining Order \(TRO\) or Preliminary Injunction \(Federal\)](#) and [Pretrial Injunctive Relief: Opposing a Temporary Restraining Order \(TRO\) or Preliminary Injunction Checklist \(Federal\)](#).

## **Advice for Countering Likely Defenses or Counterclaims**

The employees you have named in your complaint or in your TRO or PI application may interpose one or more potential defenses. Among those defenses include that the covenants at issue are overbroad and unenforceable, the company breached its contractual obligations to the employee, or the employer's allegedly confidential information was readily accessible to competitors.

Be mindful of these potential defenses and advise employers to take proactive steps to negate them before a potential dispute arises. Help employers draft restrictive covenant agreements that are likely to be enforceable in the applicable jurisdiction, and that include provisions that enhance the likelihood of enforceability. Moreover, to negate an employee's claim that certain information is not confidential and worthy of protection, an employer should be able to point to proper safeguards it took with respect to such information. For example, an employer may have stored such information behind a password-protected database, or limited access to such information to certain employees at a key conference or meeting.

If an employee counterclaims against the employer for breach of a restrictive covenant agreement, the employer should be prepared to demonstrate how it fulfilled its obligations under the agreement, or that the alleged breach at issue is not a material breach that negates the employee's material obligations in the agreement.

## Overview of Available Remedies and When to Seek Non-injunctive Relief

In addition to the injunctive relief sought in connection with a TRO or PI application, an employer may seek money damages, such as lost profits, or other forms of non-injunctive relief, such as liquidated damages (i.e., a set amount of damages agreed to in advance by the parties) and attorney's fees, for breach of a restrictive covenant agreement (if the agreement contains a liquidated damages and/or attorney's fees provision).

In considering whether to seek monetary damages or liquidated damages, an employer that plans to make a TRO or PI application should evaluate whether an opposing party may assert that a claim for money damages is as an admission that the employer does not face irreparable harm as is typically required to obtain injunctive relief. See *All Life Scis. Consulting Grp., Inc. v. Fabriczi*, 2017 U.S. Dist. LEXIS 132440, at \*28 (E.D. Pa. Aug. 17, 2017) (finding no irreparable harm where record showed value of customer business allegedly misappropriated by former employee was "about \$600,000-\$700,000," such that "[m]oney damages for loss of that business should be provable at trial with reasonable certainty"), report & recommendation adopted, 2017 U.S. Dist. LEXIS 153954 (E.D. Pa. Sept. 21, 2017).

In some jurisdictions, a well-drafted restrictive covenant agreement in which the employee acknowledges that monetary damages, liquidated damages, or attorney's fees may be awarded in addition to, and not in lieu of, injunctive relief, may suffice to allow for these alternative forms of relief without also limiting the availability of injunctive relief. See *Peconic Surgical Grp., P.C. v. Cervone*, 2011 N.Y. Misc. LEXIS 2821, at \*7-8 (N.Y. Sup. Ct., Suffolk Cnty. 2011) ("[T]he inclusion of a liquidated damages clause in the defendants' employment agreements does not foreclose the granting of a preliminary injunction."); *GFI Brokers, LLC v. Santana*, 2008 U.S. Dist. LEXIS 59219, at \*35 (S.D.N.Y. Aug. 6, 2008) (where clause in restrictive covenant agreement stated that "liquidated damages are

payable "in addition to . . . other remedies available to GFI," court construed clause as "reserv[ing] GFI's right to seek specific performance, which the presence of a liquidated damages clause does not bar" (internal quotation marks omitted)); *H&R Block Enters., Inc. v. Short*, 2006 U.S. Dist. LEXIS 86926, at \*24 (D. Minn. Nov. 29, 2006) (holding that "H&R Block is entitled to both an injunction and liquidated damages" against former employee whose agreement "specifically provides for the availability of injunctive relief . . . in addition to all other remedies available at law or equity," and reasoning that to award plaintiff-employer only liquidated damages "for the clients who failed to return to H & R Block would be inadequate if [former employee] were allowed to solicit additional H & R Block clients going forward"); *Boulder Med. Ctr. v. Moore*, 651 P.2d 464, 466 (Colo. Ct. App. 1982) (rejecting former employee's claim that employer was "not entitled to injunctive relief because its damages have been satisfied by the liquidated damages clause" where former employee "specifically agreed to injunctive relief and liquidated damages in his employment contract"). But see *Nationwide Mut. Ins. Co. v. Stenger*, 695 F. Supp. 688, 693 (D. Conn. 1988) (finding that liquidated damages clause in defendant-former employee's agreement "covers defendant's conduct in this case," which finding "seriously undermines any claim by plaintiff that it is entitled to injunctive relief"); *Bowen v. Carlsbad Ins. & Real Estate, Inc.*, 724 P.2d 223, 227 (N.M. 1986) ("Carlsbad's contention that it should be entitled to both injunctive relief and liquidated damages is untenable. A party can elect liquidated damages or injunctive relief, but cannot have both.").

For an employer to be eligible for liquidated damages for certain breach(es) of a restrictive covenant agreement, the agreement would typically have to provide the formula for the applicable liquidated damages, the actual damages must be difficult to calculate, the parties must intend to set damages in advance, and the liquidated damages represent a fair amount that does not constitute a penalty (i.e., the liquidated damages cannot constitute an amount that is grossly disproportionate to the probable loss). See *BDO Seidman v. Hirshberg*, 93 N.Y.2d 382, 396 (1999).

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Daniel Turinsky represents employers in litigation before federal and state courts, administrative agencies and arbitration panels. His litigation experience encompasses a wide range of employment-related matters, including discrimination, harassment and retaliation claims; wage and hour class and collective actions; disputes involving the enforcement of employment contracts, confidentiality agreements and non-competition covenants; consumer class actions relating to employer pre-employment screening processes and tort claims arising out of the employment relationship, such as fraud, breach of fiduciary duty, tortious interference, intentional infliction of emotional distress and defamation.

Additionally, Daniel regularly counsels clients on a broad variety of subjects including disciplinary actions and terminations; employment, consulting and separation agreements; internal investigations of alleged workplace misconduct; background checks; disability accommodations and family leave; wage and hour issues; employment policies and practices; reductions in force; and litigation avoidance.

Daniel is a member of DLA Piper's national Employment Editorial Board and an editor of *The Labor Dish*, DLA Piper's employment blog highlighting legal issues important to US employers. He has also been awarded the highest possible peer review rating, AV Preeminent, by the *Martindale-Hubbell Law Directory*, recognized by his peers for his legal ability and ethical standards.

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Evan D. Parness has a full-service labor and employment practice that includes litigating cutting-edge issues at the trial and appellate levels, negotiating employment aspects of complex M&A deals and other business transactions, and counseling global employers on compliance with national, state, and local employment laws and regulations.

Evan represents employers and senior executives in non-compete, harassment, discrimination, retaliation, ERISA, and business tort litigation in state and federal courts, administrative agencies, and alternative dispute resolution bodies. Evan has secured significant trial and appellate victories for clients, including complete dismissals of discrimination and retaliation lawsuits, successful verdicts following trial, and injunctive relief on behalf of clients enforcing restrictive covenants.

Evan also counsels established and emerging companies on compliance with federal, state, and local employment laws and regulations, and litigation avoidance measures in connection with all aspects of workplace employment issues. Evan conducts sensitive internal investigations of alleged discrimination and harassment, and assists employers in shaping workplace policies to comply with law and promote a productive working environment.

Evan advises leading companies on the labor and employment aspects of significant business transactions and acquisitions. He negotiates employment-related provisions in business transaction documents and oversees due diligence of a potential target's employment practices. Evan also counsels clients on executive employment and restrictive covenants agreements.

*The Legal 500* recognized Evan as a «Next Generation Partner» in its 2021 rankings. In addition, *Law360* named Evan a 2018 Rising Star in Employment Law. Evan was one of only five employment attorneys nationwide to receive this honor. The award recognizes attorneys under age 40 whose legal accomplishments transcend their age.

Evan has also been recognized as a "Rising Star" by *New York Metro Super Lawyers* in 2013, 2014, 2015, 2016, 2017, and 2018.

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