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10 JOHN BRAD KOLACINSKI; and ROBERT TAI HORNBECK

11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA

13 IKON OFFICE SOLUTIONS, INC.,

14 Plaintiff,

15 vs.

16 JOHN BRAD KOLACINSKI, ROBERT TAI
17 HORNBECK, and MYRIAD LITIGATION
18 SOLUTIONS, LLC,

19 Defendants.

**Case No.: No. CV 11-01382 SJO
(AGR_x)**

**DEFENDANTS’ MEMORANDUM OF
POINTS AND AUTHORITIES IN
OPPOSITION TO PLAINTIFF’S
MOTION FOR PRELIMINARY
INJUNCTION**

**Date: April 4, 2011
Time: 10:00 a.m.
Courtroom: 1**

Judge: Hon. S. James Otero

20
21 **I. INTRODUCTION**

22 California is one of a collection of States that has firmly rejected the notion that an
23 employer can impose purportedly “reasonable” contractual restraints on the practice of a
24 profession, business or trade. *See Edwards v. Arthur Andersen LLP*, 44 Cal. 4th 937, 945 (2008).
25 It is a settled and fundamental public policy of California that purportedly “reasonable”
26 contractual restrictive covenants which attempt to restrict the free mobility of employees are
27 unlawful unless they fall within the recognized exceptions to Calif. Bus. & Prof. Code §16600.
28 *See Id.* at 945-946. One of those exceptions is that an employer may reasonably restrict its

1 employees in the protection of its trade secrets and proprietary confidential information *Accord*
2 *Edwards, supra*, 44 Cal. 4th 948 citing *Thompson v. Impaxx, Inc.*, 113 Cal. App. 4th 1425, 1429.
3 The availability of this exception to the rule favoring unrestricted mobility of employees,
4 however, creates the opportunity for some employers to seek to rein in allegedly “rogue”
5 employees who change employment to work for a competitor – by alleging that their former
6 employees and the competitor have “misappropriated” the former employer’s trade secrets. It is
7 not surprising that such allegations have shown up in the instant case.

8 Here, Plaintiff IKON OFFICE SOLUTIONS, INC. (“IKON”) has sued MYRIAD
9 LITIGATION SOLUTIONS, LLC (“Myriad”) and two of IKON’S former employees,¹ JOHN
10 BRAD KOLACINSKI (“Kolacinski”) and ROBERT TAI HORNBECK (“Hornbeck”)
11 (collectively all referred to as “Defendants”) for: (1) Misappropriation of Trade Secrets pursuant
12 to California Uniform Trade Secrets Act, Calif. Civ. Code §§3426, et seq.; (2) Interference with
13 Actual or Prospective Economic Relations; (3) Intentional Interference with Contractual
14 Relations; and (4) Unfair Competition, Calif. Bus. & Prof. Code §§17200, et seq., 17500, and
15 17508. IKON has asserted separate claims for relief against Kolacinski and Hornbeck for
16 Breach of Contract and Breach of Duty of Loyalty.

17 IKON alleges that Myriad solicited Kolacinski and Hornbeck to breach their
18 employment contracts with IKON and change employment to Myriad. IKON also alleges that
19 Myriad “incentivised” Kolacinski and Hornbeck to misappropriate IKON’S trade secrets for
20 Myriad’s benefit, thereby purportedly violating the California Uniform Trade Secrets Act,
21 California Civil Code §§3426, et seq. (the “UTSA”). In conjunction with the filing of its
22 complaint, IKON has filed a motion for a preliminary injunction to broadly enjoin Myriad and
23 Kolacinski and Hornbeck from using the allegedly “misappropriated” IKON information to
24 compete with IKON. The hearing on that motion is noticed for April 4, 2011.

25 The UTSA (Calif. Civil Code §3426 et seq.) provides a cause of action for injunctive
26 relief for “*actual or threatened misappropriation*” of trade secrets and “*damages for the actual*
27

28 ¹ The employees, John Brad Kolacinski and Robert Tai Hornbeck recently changed employment from IKON to MYRIAD and are current employees of MYRIAD.

1 *loss caused by the misappropriation*” as well as for recovery due to any “*unjust enrichment*” not
 2 accounted for by the actual damages caused by the misappropriation. In the event damages
 3 cannot be proven, the UTSA provides for a reasonable royalty for use of the trade secrets for a
 4 limited period. In the instant case, IKON has literally alleged that *every piece of information*
 5 within its organizational structure and within its offices to which employees such as Kolacinski
 6 and Hornbeck had access is a trade secret and was confidential information. IKON further
 7 alleges that Kolacinski and Hornbeck were under a contractual duty to preserve the
 8 confidentiality of all “IKON information.” IKON alleges that the mere copying of IKON
 9 information of *any* description by former employees constitutes a violation of the UTSA.
 10 IKON’S fervent and breathless contentions find no support in California law.

11 **II. ARGUMENT**

12 **A. IKON Cannot Demonstrate the Elements Necessary for the Granting of** 13 **Injunctive Relief**

14 As IKON points out in its supporting papers to the motion for a preliminary injunction, in
 15 order for it to obtain a preliminary injunction it must demonstrate that (1) there is a likelihood
 16 that it will succeed on the merits; (2) that in the absence of a preliminary injunction it will suffer
 17 irreparable injury; (3) that the balance of hardships favors IKON; and (4) that the public interest
 18 will be advanced by the granting of a preliminary injunction to IKON. (See IKON
 19 Memorandum of Points & Authorities in Support of its Motion for Preliminary Injunction
 20 (“Motion”) at 4.) IKON cannot demonstrate any of these requirements.

21 **1. IKON Cannot Demonstrate a Likelihood of Success on the Merits** 22 **of its Breach of Contract Claims Against KOLACINSKI and** 23 **HORNBECK Because the Purported Confidentiality Agreements** 24 **Lack Consideration and are Unenforceable Restrictive Covenants**

25 California law requires that contractual agreements be supported by consideration. “The
 26 consideration for a promise must be an act or a return promise, bargained for and given in
 27 exchange for the promise.” *Simmons v. Cal. Institute of Technology*, 34 Cal. 2d 264, 272 citing to
 28 *Bard v. Kent*, 19 Cal.2d 449 (1942). This applies to employment contractual agreements as well.

1 Here, as the complaint alleges, Defendant Kolacinski commenced his employment with IKON
 2 on October 15, 2009. Defendant Hornbeck was re-employed with IKON in August 2009, after
 3 having previously left IKON in 2007. (Complaint at ¶¶ 12 and 17.) However, the “Confidential
 4 Information and Trade Secret Protection Agreements” were allegedly entered into by Kolacinski
 5 and Hornbeck on July 28, 2010, *after* Kolacinski and Hornbeck were already employed by
 6 IKON. (Complaint, Exhibits “A” and “B.”) Apparently, any obligations imposed by these
 7 purported contracts could not have arisen in connection with Kolacinski’s and Hornbeck’s
 8 employment in 2009 since they were not executed until 2010.

9 The complaint does not allege that IKON provided Kolacinski and Hornbeck with
 10 additional consideration to enter into these agreements. Since Kolacinski and Hornbeck were
 11 already employed with IKON when they signed the agreements on July 28, 2010, their past
 12 employment does support consideration for the contracts. Moreover, there appears to have been
 13 no bargained for exchange for an offer of continued employment as the inducement to sign the
 14 contracts. Hornbeck’s and Kolacinski’s performance of what they were already doing at IKON
 15 and for which they were already being compensated is not adequate consideration. *See Simmons*
 16 *v. Cal. Institute of Technology*, 34 Cal. 2d 264, 271-272 (1949) (past employment is inadequate
 17 consideration to support a contract.) In the absence of a contract validly protecting IKON’S
 18 actual trade secrets, the subject purported contracts were intended merely to restrict Kolacinski
 19 and Hornbeck from soliciting customers and prospects they had previously solicited while at
 20 IKON. California law makes it clear that such restrictive covenants are invalid. *See Edwards v.*
 21 *Arthur Andersen LLP.*, 44 Cal. 4th 937, 948 (2008); *Thompson v. Impaxx, Inc.*, 113 Cal. App. 4th
 22 1425, (2003).

23 **2. IKON Cannot Demonstrate a Likelihood of Success on the Merits**
 24 **Because it Cannot Show that the Information at Issue Constituted**
 25 **“Trade Secrets” Within the Meaning of the UTSA**

26 Section 3426.1 of the UTSA defines “trade secret” as follows:

27 “(d) ‘Trade secret’ means information, including a formula, pattern, compilation,
 28 program, device, method, technique, or process, that: (1) Derives independent economic

1 value, actual or potential, from not being generally known to the public or to other
2 persons who can obtain economic value from its disclosure or use; and (2) Is the subject
3 of efforts that are reasonable under the circumstances to maintain its secrecy.” Calif.
4 Civil Code § 3426.1(d).

5 “Misappropriation” is defined as follows:

6 “(b) ‘Misappropriation’ means: (1) Acquisition of a trade secret of another by a
7 person who knows or has reason to know that the trade secret was acquired by improper
8 means; or (2) Disclosure or use of a trade secret of another without express or implied
9 consent by a person who: (A) Used improper means to acquire knowledge of the trade
10 secret; or (B) At the time of disclosure or use, knew or had reason to know that his or her
11 knowledge of the trade secret was: (i) Derived from or through a person who had utilized
12 improper means to acquire it; (ii) Acquired under circumstances giving rise to a duty to
13 maintain its secrecy or limit its use; or (iii) Derived from or through a person who owed a
14 duty to the person seeking relief to maintain its secrecy or limit its use; or (C) Before a
15 material change of his or her position, knew or had reason to know that it was a trade
16 secret and that knowledge of it had been acquired by accident or mistake. Calif. Civ.
17 Code § 3426.1(b).

18 In order for IKON to show that it has a likelihood of success on the merits and
19 obtain relief for injunctive relief, IKON must first demonstrate that the subject
20 information constituted its “trade secrets.” *See DVD Copy Control Assn., Inc v. Bunner*,
21 116 Cal. App. 4th 216, 241 (2004) (“[i]n order to obtain an injunction prohibiting
22 disclosure of an alleged trade secret, the plaintiff’s first hurdle is to show that the
23 information it seeks to protect is indeed a trade secret”). *Thompson, supra*, 113 Cal. App.
24 4th 1430 (“[l]abeling information as a trade secret or as confidential information does not
25 conclusively establish that the information fits this description.” Citing *Morlife, Inc. v.*
26 *Perry* (1997) 56 Cal.App.4th 1514, 1522). One problem with IKON’S claims is that
27 IKON has failed to isolate what exactly it is claiming was its “trade secrets and
28 confidential information.” In an action based on alleged violation of the UTSA, it is

1 imperative that the alleged trade secrets be specifically identified. *See Silvaco Data*
2 *Systems v. Intel Corp.*, 184 Cal. App. 4th 210, 221 (2010) (“It is critical to any CUTSA
3 cause of action--and any defense--that the information claimed to have been
4 misappropriated be clearly identified.”)

5 IKON broadly takes the position in its complaint and in its Motion that *every*
6 *piece of information* generated in and concerning its offices and operations was a trade
7 secret. For example IKON claims that “all memoranda, books, papers, letters and other
8 data, including duplicates, relating to the Company’s business and affairs (‘Company
9 Documents’)” constitutes “confidential information.” Presumably, IKON also claims
10 that information also constitutes its “trade secrets.” (Motion at 4, lines 21-25.) IKON
11 has also variously claimed that “customer information, including information detailing
12 the identities, points of contact for, and amount of business generated by, certain IKON
13 customers” constitutes its trade secrets. (See Motion at 7, lines 25-28.) Further, IKON
14 has claimed “customer specific pricing information” and “IKON Sales, Production Tools
15 and Training” information also constitutes its trade secrets. (Motion at 9.) However,
16 these descriptions of the allegedly misappropriated trade secrets are too broad to
17 rightfully be the subject of any injunctive relief.

18 Moreover, the only evidence presented to support IKON’S request for injunctive relief is
19 IKON’s “verified” complaint, which contains the same broad allegations regurgitated in IKON’S
20 Motion.² IKON’s allegations in the complaint are so overly broad that there is no way for
21 Defendants to identify what is actually being alleged to be the “misappropriated trade secrets.”
22 The inexactitude by which trade secrets claimants are wont to identify the alleged trade secrets is
23 mainly the reason that California courts require the plaintiff to first particularly identify the
24 alleged trade secrets in a manner sufficient to differentiate what is alleged from matters of

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26 ² IKON’S factual support for the motion for preliminary injunction is the so-called “verified” complaint.
27 Defendants object to the complaint as a factual basis for the granting of a preliminary injunction. The complaint
28 contains mere incompetent allegations and hearsay. No effort is made to show any foundation for the allegations
made or that the verifier, John Wilkinson, allegedly a “Regional Sales Manager,” has personal knowledge of the
matters alleged.

1 general knowledge in the industry or from matters of special knowledge of persons skilled in the
 2 industry before taking any discovery. *See Diodes, Inc. v. Franzen* (1968) 260 Cal. App. 2d 244,
 3 251-252.³ *See* Calif. Code of Civ. Proc. §2019.210. Here, IKON has failed to identify the
 4 alleged trade secrets beyond a “vague hand waving” that the information it claims to be trade
 5 secrets is indeed a trade secret. *Silvaco, supra*, 184 Cal. App. 4th at 221.

6 To obtain an injunction, IKON must demonstrate that the information alleged in the
 7 complaint to be “trade secrets and confidential information” derives independent economic
 8 value, actual or potential, from not being generally known to the public or to other persons who
 9 can obtain economic value from its disclosure or use. In order to derive independent economic
 10 value, the alleged trade secret must provide the claimant with a “significant business advantage.”
 11 *Morlife, Inc. v. Perry*, 56 Cal. App. 4th 1514, 1522 (1997). Generally, customer lists do not have
 12 such value unless the claimant can show some significant competitive advantage derived from
 13 the unavailability of the information in the list to others in the industry. Accordingly, such lists
 14 would derive value only “because [their] disclosure would allow a competitor to direct its sales
 15 efforts to those customers who have already shown a willingness to use a unique type of service
 16 or product as opposed to a list of people who only might be interested.” *Id.*

17 Here, IKON cannot show that customer identity and pricing information in this industry
 18 are so generally unavailable or that IKON offers such a unique product to customers that it has
 19 harnessed some value from this information that others in the industry do not have. *See Moss*
 20 *Adams & Co. v. Schilling*, 179 Cal. App. 3d 124, 128 (1986) (clients’ names are not generally
 21 considered trade secrets and “[o]ne may do business with a former employer’s customers with
 22 whom one became personally acquainted and developed a business relationship while formerly
 23 employed.”); (See, e.g., declarations of Derek Bland at ¶¶5-6, and Charles Adams at ¶¶ 4-6).
 24 Moreover, contrary to IKON’S apparent suggestion, information does not derive economic value
 25 simply because it is dubbed “secret” or “confidential.” Secrecy, even if proven, which IKON has
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27 ³ CCP §2019.210 is generally recognized to be a codification of a rationale of a rule articulated in *Diode, Inc. v.*
 28 *Franzen*, 260 Cal. App. 2d 244, 67 Cal. Rptr. 19 (1968), preventing plaintiffs from commencing discovery in trade
 secret cases until after they have sufficiently identified the alleged trade secrets. *See Computer Economic v. Gartner*
Group, Inc. 50 F. Supp. 2d, 980, 982 (1999).

1 not done so here, does not equal economic value. *See GAB Business Services, Inc. v. Lindsey &*
2 *Newsom Claim Services, Inc.*, 83 Cal. App. 4th 409, 428-429 (2002). Therefore, IKON must
3 prove not only that the alleged trade secret information was secret, but that because of its
4 secrecy, the information alleged by IKON to have been taken by KOLACINSKI and
5 HORNBEK, gave IKON a significant competitive business advantage as compared to others in
6 the industry.

7 With respect to secrecy, California courts have held that information does not qualify as a
8 trade secret unless the claimant took reasonable steps to maintain the secrecy of the information.
9 Secrecy efforts are “[r]easonable efforts to maintain secrecy have been held to include advising
10 employees of the existence of a trade secret, limiting access to a trade secret on ‘need to know
11 basis,’ and controlling plant access.” *Courtesy Temporary Service, Inc. v. Camacho*, 222 Cal.
12 App. 3d 1278, 1288. In the instant case, IKON must show that its alleged confidential
13 information was not widely disseminated and that it made reasonable effort to distinguish
14 general information from actual “trade secret and confidential information.”

15 **3. IKON Cannot Demonstrate a Likelihood of Success on the Merits**
16 **Because it Cannot Show that the Information at Issue Was**
17 **“Misappropriated” Within the Meaning of the UTSA**

18 IKON also cannot show that its alleged trade secrets have been misappropriated.
19 “Misappropriation” may occur either through “acquisition,” “disclosure” or “use.” Myriad’s
20 principals, Derek Bland, Earl Betancourt, and Charles Adams, have filed declarations in
21 conjunction with this Opposition testifying to the fact that they have never possessed or viewed
22 the information allegedly contained on the “flash drives” and to their knowledge, neither has
23 anyone else at Myriad (other than Hornbeck and Kolacinski). (See accompanying declarations of
24 Bland, at ¶ 4; Bentancourt, at ¶¶ 9-10, Adams, at ¶ 7.) That means that the subject copied
25 information, even if it constitutes “trade secrets” was never misappropriated by Myriad’s
26 principals. To the extent that IKON is claiming that Hornbeck and Kolacinski acquired that
27 information when they copied it, IKON must show that they have “used” or “disclosed” the
28 information in order to unfairly compete with IKON. *See Silvaco, supra*, 184 Cal. App. 4th at

1 222-223 (“one who passively receives a trade secret, but neither discloses nor uses it, would not
2 be guilty of misappropriation.”)

3 **4. IKON Cannot Show That it Will Suffer Irreparable Injury if an**
4 **Injunction is not Granted**

5 IKON must demonstrate irreparable injury if the injunction is not granted. IKON
6 makes no such showing other than broadly asserting that its “sales advantages,
7 reputation,” and “competitive advantage” will be destroyed. (Motion at 16.) Such
8 conclusory platitudes are not evidence. IKON has offered no proof of such irreparable
9 injury and the allegations in its “verified” complaint are not proof. Moreover, the
10 proposed injunction is so overly broad there is no plausible way that it can be enforced.
11 For that reason alone, this Court should deny IKON’S motion.

12 **5. IKON Cannot Demonstrate That the Balance of Hardship Favors**
13 **IKON or That the Public Interest Will be Served by Such an**
14 **Injunction**

15 In *Edwards, supra*, 44 Cal. 4th 937, the California Supreme Court declared that it was a
16 fundamental policy of this State to permit the free mobility of employees and to encourage
17 competition. Accordingly, the court held that “[t]oday in California, covenants not to compete
18 are void, subject to [certain] exceptions....” Here, IKON is attempting not only to restrict the
19 ability of Hornbeck and Kolacinski from pursuing their living, but it is seeking to prevent Myriad
20 from soliciting customers that IKON claims are its customers. In order for this Court to permit
21 IKON’S clearly anticompetitive maneuverings, the Court should demand a greater showing than
22 what IKON has demonstrated that IKON is indeed protecting its trade secrets. Otherwise, it is
23 clear that the public interest in California favors not enforcing restrictive covenants to prevent
24 employees from working and to prevent competition.

25 **III. CONCLUSION**

26 IKON has not shown likelihood for success on the merits with respect to its
27 claims of trade secret misappropriation under the UTSA. Since all of its claims are
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1 essentially based on those allegations, the Court should deny IKON'S motion in all
2 respects.

3 Dated: March 14, 2011
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7 By: _____ /S/ Stephen K. Lubega
8 Stephen K. Lubega
9 Attorney for Defendants.
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