

<b>Pop Intl. Galleries Inc. v Swarts</b>
2012 NY Slip Op 30551(U)
March 6, 2012
Supreme Court, New York County
Docket Number: 113294/11
Judge: Joan A. Madden
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SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY

PRESENT: MADDEN  
Justice

PART 11

POP INTERNATIONAL GALLERIES, INC.

INDEX NO.

113294/11

MOTION DATE

MOTION SEQ. NO.

01

MOTION CAL. NO.

- v -

BRIAN SWARTS, ET AL.

The following papers, numbered 1 to \_\_\_\_\_ were read on this motion to/for a preliminary injunction

PAPERS NUMBERED

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits \_\_\_\_\_

Replying Affidavits \_\_\_\_\_

Cross-Motion: ☐ Yes ☒ No

Upon the foregoing papers, It is ordered that this motion for a preliminary injunction is decided in accordance with the answered Memorandum Decision to and order and the temporary restraining order is vacated.

FILED

MAR 07 2012

NEW YORK  
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Dated: March 6, 2012

HON. JOAN A. MADDEN  
J.S.C.

Check one: ☐ FINAL DISPOSITION

☒ NON-FINAL DISPOSITION

Check if appropriate: ☐ DO NOT POST

☐ REFERENCE

☐ SUBMIT ORDER/ JUDG.

☐ SETTLE ORDER/ JUDG.

THIS MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE  
FOR THE FOLLOWING REASON(S):

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK : PART 11

-----X  
POP INTERNATIONAL GALLERIES INC.,

Plaintiff,

Index No. 113294/11

-against-

BRAIN SWARTS, DJT FINE ART  
INTERNATIONAL, LLC d/b/a  
TAGIALATELLA GALLERIES and  
DOMINIC TAGIALATELLA,

Defendants.

-----X  
Joan A. Madden, J.:

Plaintiff Pop International Galleries, Inc. ("Pop") moves,  
by order to show cause, for an order granting a temporary  
restraining order and a preliminary injunction enjoining  
defendants "from making any further use of [Pop's] confidential  
and proprietary customer and client contact list." Defendants  
oppose the motion.

Pop is a New York corporation engaged in the business of  
purchasing, selling and exhibiting "pop-art." Defendant Brain  
Swarts ("Swarts") was employed by Pop as an art consultant and  
salesman from November, 2006 to April, 2011. Defendant DJT Fine  
Art International d/b/a Taglialatella Galleries ("DJT") is a  
limited liability company engaged in the purchase, sale and  
exhibition of substantially the same "pop-art" as Pop. Defendant  
Dominic Taglialatella ("Taglialatella") is the founder of  
Taglialatella Galleries.

In this action, Pop alleges that Swarts misappropriated  
Pop's proprietary information from its database, including its

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confidential customer, artist, distributor and vendor lists to unfairly compete with Pop, interfere with Pop's business activities and usurp Pop's customer relationships. It is further alleged that Swarts and his new employers, defendants DJT and Taglialatella, used Pop's proprietary information to solicit Pop's customers, artists, vendors and distributors to market defendants' competing pop-art. The complaint asserts causes of action against Swarts for breach of contract, and against all the defendants for breach of duty of good faith and loyalty, conversion, for a temporary and permanent injunction, and for an accounting. Defendants answered the complaint, and asserted the affirmative defenses of lack of proper service and failure to state a cause of action.

Pop now moves for a preliminary injunction, enjoining defendants from using proprietary information which Pop alleges Swarts improperly took when he left Pop's employ. In support of its motion, Pop submits the affidavit of Jeffrey Jaffe ("Jaffe"), its President and sole shareholder. According to Jaffe, the extensive customer list is Pop's "primary asset" and is "guarded and protected on Pop's computers" (Jaffe Aff. ¶4). Among the measures taken to protect the confidentiality of the lists is the requirement that at the commencement of their employment, all employees sign an acknowledgment that they received an Employment Handbook indicating the proprietary nature of the Pop's customer,

artist, prospective customer and vendor lists, and agreeing that the lists are the sole and exclusive property of Pop and cannot be removed from Pop in any form.

In support of its motion, Pop attaches the relevant pages from the "Personal Code of Conduct" and "Summary of the Work Rules" sections of the Employee Handbook. Section B1 of the Personal Code of Conduct states, that "[a]ll visitors, prospects, clients and collectors of the gallery are proprietary to Pop...Further, all client lists, client information, client index cards, sales materials and employee training materials are property of Pop...This material shall never leave the premises at any time whatsoever." Section B2 of the Personal Code of Conduct provides that "[a]ll sales information...is confidential and shall not be shared with anyone..." It further provides that disregard of these policies will result in termination and Pop "reserves the right to employ any and all legal remedies at its disposal to protect its rights in this regard."

The Summary of Work Rules section includes in its description of unacceptable behavior and conduct of employees, *inter alia*, "[u]nauthorized divulgence of the Company business records (including client lists)" and "[r]emoving from the property any Company records, including client lists."

Jaffe states that Swarts was hired by Pop in late 2006, and that on June 7, 2007, he executed two acknowledgments that he had

read and agreed to abide by the rules of the Employee Handbook, including the Personal Code of Conduct and attaches copies of these acknowledgments.

In addition, according to Jaffe, at the time of his resignation in April 2011, Swarts represented to him that he had "fully complied with the Employee Handbook and had returned all property belonging to Pop" (Jaffe Aff. ¶ 11). However, Jaffe states that in July 2011, he became suspicious of Swarts' conduct when an established customer of Pop's, Mr. Frank Warzecha, visited the gallery and informed Jaffe that he had received an email from Swarts indicating that Swarts was currently affiliated with Tagliatella Galleries and soliciting Mr. Warzecha's business. According to Jaffe, Swarts had no independent relationship with Warzecha.

By letter dated August 8, 2011, to the defendants, counsel for Pop advised that they "cease and desist" from using Pop's proprietary and confidential information to directly solicit Pop's customers, and that Swarts was in violation of certain sections of the Employee Handbook prohibiting such conduct. The letter warned that if the conduct continued, legal action would be taken (Order to Show Cause, Exhibit F).

Jaffe states that despite the letter, in November 2011, Jaffe received information that Swarts had solicited one of Pop's former employees who was on a customer list belonging to Pop.

Thereafter, Jaffe conducted a search of Pop's email back-up system and discovered that "[o]n September 1, 2009, ...[Swarts] created a "vcf" (vCard) backup of the company address book from the computer he used while employed at Pop and emailed a copy of the proprietary electronic file to his personal email address." (Jaffe Aff. ¶ 17).

In opposition, defendants submit the affidavit of Swarts. Swarts denies that the customer list referred to by Jaffe is proprietary and asserts that the list was not a customer list but rather a contact list that was not created by Pop but rather by Pop's employees. Swarts also states that the list he downloaded in September 2009 was his own contact list and not the list of any other employee of Pop. In addition, while Swarts admits that he signed the acknowledgements that he received the Employee Handbook he states that he "did not believe and was never advised that this Handbook constituted a contract" (Swarts Aff. ¶ 7). He points out that the Handbook provides that "it may be altered without notice" and that not all policies are in the Handbook, and that such provisions indicate that the Handbook is not a contract. Swarts further states that he did not believe that the provisions in the Handbook applied to him after he left Pop's employ.

Swarts also states that he was never directed not to download the contact list on his personal email and that, in

fact, the information was on his personal email account with Pop's knowledge. Swarts explains that due to problems with Pop's email system, he sent emails to customers from his own gmail account and copied the emails to Pop. Thus, Swarts states that he downloaded the contact lists to his own computer so as to email them from his personal email and not to steal the information.

In reply, Jaffe states that the use of personal email accounts to communicate with customers is immaterial as to whether the information was proprietary. As for Swarts' contention that in September 2009, he only downloaded his own contact list, Jaffe states that such list was "only a subset" of Pop's central client list, and notes that Mr. Warzecha, who Swarts solicited was not on the September 2009 list. In any event, Jaffe contends that neither list belonged to Swarts who was in breach of the agreement contained in the Employment Handbook.

A preliminary injunction is a drastic remedy, and thus should not be granted unless the movant demonstrates "a clear right" to such relief. City of New York v 330 Continental, LLC, 60 AD3d 226, 234 (1<sup>st</sup> Dept 2009); Peterson v Corbin, 275 AD2d 35 [2d Dept], lv dismissed, 95 NY2d 919 (2000). Entitlement to a preliminary injunction requires a showing of (1) the likelihood of success on the merits, (2) irreparable injury absent the



granting of preliminary injunctive relief, and (3) a balancing of the equities in the movant's favor. CPLR 6301; Nobu Next Door, LLC v Fine Arts Hous., Inc., 4 NY3d 839 (2005); Aetna Ins. Co. v Capasso, 75 NY2d 860 [1990]). If any one of these three requirements is not satisfied, the motion must be denied. Faberge Intern., Inc. v Di Pino, 109 AD2d 235 (1<sup>st</sup> Dept 1985). Moreover, "[p]roof establishing these [requirements] must be by affidavit and other competent proof with evidentiary detail." Scott v. Mei, 219 AD2d 181, 182 (1<sup>st</sup> Dept 1996).

As for the first prong, whether Pop is likely to succeed on the merits, the court must examine whether Pop has shown that Swarts breached the Handbook's restrictions regarding Pop's proprietary information and whether defendants misappropriated such information, and therefore breached a fiduciary duty or duty of loyalty owed to Pop.<sup>1</sup> In connection with these issues, it must be determined whether the information allegedly taken by defendants constitutes a trade secret or confidential information entitled to protection. Ashland Management Inc. v. Altair Investments, N.A., 59 AD3d 97, 102 (1<sup>st</sup> Dept 2008); NCN Co., Inc. v. Cavanagh, 215 AD2d 737, 737 (2d Dept 1995).

"A trade secret is any formula, pattern, device or

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<sup>1</sup>While Swarts maintains that any duty he owed to Pop ended when he left Pop's employ, to the extent it can be shown that Swarts misappropriated trade secrets during his employment with Pop, Pop would have a viable claim against him. Smallwood Estates v. Nikola, 163 AD2d 763, 764 (3d Dept 1990)

compilation of information which is used in one's business, and which gives him an opportunity to gain an advantage over competitors who do not know or use it." Ashland Mgt. v. Janian, 82 N.Y.2d 395, 407 (1993), citing Restatement of Torts Section 757, comment b. In deciding a trade secret claim, the court should consider the following factors: 1) the extent to which the information is known outside of the business, 2) the extent to which it is known by employees and others involved in the business, 3) the extent of measures taken by the business to guard the secrecy of the information, 4) the value of the information to the business and its competitors, 5) the amount of effort or money expended by the business in developing the information, 6) the ease or difficulty with which the information could be properly acquired or duplicated by others. Id. "[A] trade secret must first of all be secret: whether it is is generally a question of fact." Id.

Here, a preliminary injunction is not properly issued in light of the considerable factual disputes concerning whether the information at issue constitutes a trade secret. O'Hara v. Corporate Audit Co, Inc., 161 AD2d 309 (1<sup>st</sup> Dept 1990) (preliminary injunction not warranted where conflicting affidavits present sharp issues of fact); NCN Co., Inc. v. Cavanagh, 215 AD2d at 737 (same).

While Pop provides evidence, including the affidavit of

Jaffe and the Employee Handbook, tending to show that the information at issue was valuable to Pop, was intended to remain confidential, and therefore should be entitled to trade secret protection, defendants provide evidence to the contrary, including Swarts' statements that Pop's employees had access to the data base of customer lists, that employees were permitted to download the information on their personal computers, and that names were added to the lists by employees as they made new contacts.

Under these circumstances, the record fails to establish steps taken by Pops to guard the secrecy of the lists so as to warrant a determination, at this juncture, of entitlement to trade secret protection. In this connection, it appears that the database and/or lists were accessible to various employees of Pop.

In addition, the record does not indicate whether the information in the lists could be obtained from non-confidential sources, or the amount of money or effort expended by Pop to obtain this information. See generally, Starlight Limousine Serv. Co. v. Cucinella, 275 AD2d 704 (2d Dept 2000); compare U.S. Reins. Corp. v. Humphreys, 205 AD2d 187 (1<sup>st</sup> Dept 1994) (granting a preliminary injunction enjoining defendant from misappropriating reinsurance product he developed with plaintiff where undisputed record showed that plaintiff expended

considerable effort in developing the product).

With respect to the breach of contract claim against Swarts based on his alleged breach of the policies in the Employee Handbook prohibiting, *inter alia*, the taking of Pop's confidential information, including client lists, Pop has not shown that it is likely to succeed on the merits. The Court of Appeals has held that "[r]outinely issued employee manuals, handbooks and policy statements should not lightly be converted to employment agreements" Lobosco v. New York Tel. Co./NYNEX, 96 NY2d 312, 317 (2001). Here, issues exist as to whether the Employment Handbook is a binding contract, particularly since it states that it is "an excellent and helpful guide to the [Pop's] policies and benefits" and that "[n]o attempt has been made to include all of [Pop's] policies" and that "[P]op reserve[s] full discretion to add to modify or delete provisions of this Handbook or the policies or procedures on which they may be based, at any time without advance notice." Thus, while the policies in the Handbook restrict the use of information and property belonging to Pop and provide evidence of Pop's intention to maintain the confidentiality of its client lists and Swarts' knowledge of this intention, even assuming Swarts violated such policies, based on the record before this court, it cannot be said that such proof is sufficient to support a preliminary injunction.

As Pop has not shown that it is likely to succeed on the

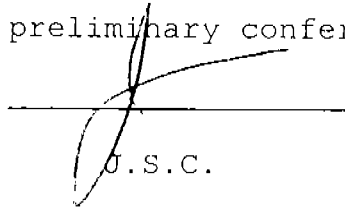
merits, the court need not reach whether it has demonstrated irreparable harm or if the equities weigh in its favor.

In view of the above, it is

ORDERED that Pop's motion for a preliminary injunction is denied; and it is further

ORDERED that the parties shall appear in Part 11, room 351, on March 29, 2012 at 9:30 am for a preliminary conference.

DATED: March 6, 2012

  
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