

STATE OF MICHIGAN
COURT OF APPEALS

RICHARD L. BUCKLEY, JR.

Plaintiff-Appellant,

v

RICHARD RISH,

Defendant-Appellee.

UNPUBLISHED

December 12, 1997

No. 196886

Ottawa Circuit Court

LC No. 94-020876-CK

Before: Neff, P.J., and Jansen and Markey, JJ.

PER CURIAM.

Plaintiff appeals as of right from the trial court order that denied him trade secret protection and the ability to enforce a non-competition agreement. Plaintiff had filed a claim against defendant, his former employee, for alleged breach of contract with respect to a non-compete clause and a clause prohibiting the use and/or disclosure of a certain process of painless dent removal. We reverse and remand for further proceedings.

I

Plaintiff founded a painless dent removal (“PDR”) company called Press-A-Dent in 1991, after investigating the various PDR processes and franchise opportunities that existed at the time. Plaintiff established a successful company after training his own technicians as independent contractors who performed the process and paid plaintiff a percentage of their profits. The PDR process requires a significant investment of time and practice to learn, and individuals must attend an intensive training session that lasts for approximately five to eight weeks. Other “mini” training sessions and videotape training programs exist in the market, but they do not provide sufficient training to allow an individual using these methods to be capable of performing a commercially acceptable process. Companies who provide PDR services consider their particular combination of lighting, tools, and location of the dent removal a trade secret and protect that information.

Plaintiff hired defendant as an independent contractor and paid for his eight-week training session. Defendant signed a contract with plaintiff, and later a revised agreement stating that he would

pay plaintiff a percentage of his gross income in return for plaintiff paying for defendant to be trained and providing him with the necessary tools and services to conduct the business. The contract required defendant not to disclose the Press-A-Dent process to anyone, and further required that if the contract was terminated, defendant would be prohibited from performing PDR in certain geographic areas for a two-year period. The contract also provided that any disputes would be governed by Indiana law.

Following a dispute between the parties, defendant accepted direct payment from one of his clients and failed to report the gross income to plaintiff. Plaintiff discovered this and terminated the contract. Plaintiff then sued defendant, seeking an injunction to enforce the non-compete clause in defendant's contract and to prevent defendant from using or disclosing what plaintiff alleged to be "trade secrets" that were taught to defendant during his Press-A-Dent training. Ruling on plaintiff's motion for preliminary injunction, the trial court found that the Press-A-Dent process was not a trade secret, but that the non-compete provision of the contract was binding on defendant with respect to certain geographic areas. Following a bench trial, the court determined, again, that plaintiff's process was not a trade secret under Indiana law and that plaintiff was therefore not entitled to a permanent injunction. The court further found that the covenant not to compete had expired on its own terms on June 14, 1996, and thus the court declined to rule on plaintiff's claim that the non-compete clause should nevertheless be enforced.

II

Plaintiff first argues that the trial court erred by concluding that the Press-A-Dent process is not a trade secret because the elements of paintless dent removal are essentially the same in many PDR systems that exist. We agree.

Pursuant to the terms of the contract at issue, the trial court referred to the following statutory definition of trade secret:

information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
- (2) Is the subject of efforts that are reasonable under the circumstances. [Ind code § 24-2-3-2 (1993)].

The sole element at issue here is whether plaintiff's Press-A-Dent process is "readily ascertainable." In making this determination, the trial court ignored the Indiana Supreme Court's most recent interpretation of this statute, *Amoco Production Co v Laird*, 622 NE2d 912 (Ind, 1993). In *Laird*, the Indiana Supreme Court held:

[I]t is a well settled principle “that a trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process and operation of which, in unique combination, affords a competitive advantage and is a protectable secret.”

Thus, “the effort of compiling useful information is, of itself, entitled to protection even if the information is otherwise generally known.” [*Laird, supra*, 622 NE2d 919, quoting *ISC-Bunker Ramo Corp v Altech, Inc*, (N D Ill, 1990) 765 F Supp 1310, 1322 (1990).]

In the present case, testimony was presented that the PDR techniques used by most companies are essentially the same. However, this does not end the inquiry. The trial court determined that plaintiff paid two existing companies to train two of his employees, and then blended the two companies’ processes. Plaintiff also developed his own tools for use in the resultant process. Further, testimony was presented that one could not learn the PDR process without a great deal of time and expense, as the videotapes and other short courses were insufficient to establish a commercially acceptable method of paintless dent removal.¹ Plaintiff’s efforts at taking elements of paintless dent removal that individually may have been readily ascertainable, and combining them into a unique process, resulted in a process that could not be acquired or duplicated without a substantial investment of time, expense, and effort. IC § 24-32-3-2; *Laird, supra*. The trial court erred in failing to afford plaintiff’s PDR process trade secret protection.²

III

We now turn to the question of whether the trial court erred by declaring moot the issue of whether plaintiff was entitled to a remedy for defendant’s alleged breach of the non-compete agreement in his employment contract, or whether the trial court erred by failing to hold defendant in contempt for violating the preliminary injunction against his participation in the PDR business. This is a question of law that is reviewed de novo by this Court. *Oakland Hills v Lueders Drain*, 212 Mich App 284, 294; 537 NW2d 258 (1995).

A

Plaintiff argues that the trial court erred in refusing to address plaintiff’s claim that defendant violated the covenant not to compete and labeling the issue moot. The trial court essentially concluded that the non-compete clause, if valid, was to commence on the date of termination of the contract between the parties and was to run for a period of two years. Accordingly, the court stated that the non-compete agreement expired of its own terms on June 14, 1996, and the issue need not be addressed. On appeal, plaintiff insists that he should be compensated for defendant’s breach of the clause before its expiration and that the trial court erred in failing to address this need for a remedy. We agree.

Whether defendant did, in fact, engage in the paintless dent removal business during the period of either the non-compete clause or the preliminary injunction was never determined by the trial court.

There was some testimony to indicate that plaintiff suspected defendant of engaging in painless dent removal during the time in which the preliminary injunction was in effect. However, defendant denied such activity, and the trial court made no finding with respect to this issue. The record with respect to this issue is insufficient for this Court to determine whether defendant engaged in this business. Therefore, this question is remanded for further consideration by the trial court. If the trial court determines that defendant did engage in this business, then it must also determine whether the non-compete clause was valid and whether plaintiff is entitled to relief for defendant's breach thereof.

By deeming the issue moot in light of the expiration of the two-year non-compete clause, the trial court failed to acknowledge that there remained an issue of whether damages would result if defendant had breached the non-compete agreement. The fact that the two years had then expired and defendant was thereafter permitted to use a painless dent removal process (though not the Press-A-Dent process given its trade secret status) to compete with plaintiff is irrelevant to the determination of whether defendant did, in fact, breach the existing two year non-compete clause. If the trial court finds that the clause is valid and defendant did breach it by pursuing his auto body repair activities, then the court may fashion a remedy to compensate plaintiff for any damage that resulted. Accordingly, the trial court must address this issue, consistent with the conclusion of this Court that the Press-A-Dent process is a trade secret deserving of protection.

B

Plaintiff also contends that the non-compete clause was the subject of an order issued by the court pursuant to plaintiff's motion for preliminary injunction; therefore, even if this Court were to find that defendant was not bound by the original non-compete clause within his contract with plaintiff, defendant was ordered by the court to abide by the geographic restrictions until a final order was entered. It follows, plaintiff argues, that if defendant engaged in the PDR business at any point before the bench trial on the underlying issues, he would also be in contempt of court for refusing to comply with the trial court's orders.

A preliminary injunction is a measure used to prevent damage that might occur to a plaintiff before a court is able to make a final determination of the case. *Psychological Services of Bloomfield, Inc v Blue Cross and Blue Shield of Michigan*, 144 Mich App 182; 375 NW2d 382 (1985). In this case, the court issued the injunction to prevent defendant from using the painless dent removal techniques in the interim before it determined whether this process was a trade secret and whether the non-compete agreement between the parties was valid. If, on remand, the court determines that defendant breached the non-compete agreement, the trial court will fashion a remedy to compensate plaintiff for any damage caused by defendant's breach. Although the court could also sanction defendant for violating the preliminary injunction, such a remedy would be misplaced, as that remedy would not accomplish the goal of making plaintiff whole.

IV

We reverse the trial court's determination that plaintiff was not entitled to trade secret protection for his Press-A-Dent system, and remand for a determination of whether defendant misappropriated it.

Reversed and remanded. We do not retain jurisdiction.

/s/ Janet T. Neff

/s/ Kathleen Jansen

/s/ Jane E. Markey

¹ Defendant asserted that he watched a video and acquired a second process of painless dent removal, which he proceeded to use. However, we note that defendant already had experience with plaintiff's process when he watched the video.

² We note that while this case was pending before this Court, the Indiana Court of Appeals held, in a case involving the same plaintiff and another former employee, that plaintiff's Press-A-Dent process was a trade secret. *Weston v Buckley*, 677 NE2d 1089 (Ind App, 1997).