# SUPREME COURT OF THE STATE OF NEW YORK
# NEW YORK COUNTY

PRESENT: MELVIN L. SCHWEITZER Justice PART 45

Index Number : 651171/2012
TBA GLOBAL, LLC
vs.
PROSCENIUM EVENTS, LLC
SEQUENCE NUMBER : 002
PARTIAL SUMMARY JUDGMENT

INDEX NO. _____
MOTION DATE _____
MOTION SEQ. NO. _____

The following papers, numbered 1 to _____, were read on this motion to/for _____

Notice of Motion/Order to Show Cause — Affidavits — Exhibits _____ | No(s). _____

Answering Affidavits — Exhibits _____ | No(s). _____

Replying Affidavits _____ | No(s). _____

Upon the foregoing papers, it is ordered that this motion is disposed of per the attached Decision and Order.

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

Dated: April 1, 2013

J.S.C.
MELVIN L. SCHWEITZER

1. CHECK ONE: ..... ☐ CASE DISPOSED ☒ NON-FINAL DISPOSITION
2. CHECK AS APPROPRIATE: .....MOTION IS: ☐ GRANTED ☐ DENIED ☐ GRANTED IN PART ☐ OTHER
3. CHECK IF APPROPRIATE: ..... ☐ SETTLE ORDER ☐ SUBMIT ORDER
☐ DO NOT POST ☐ FIDUCIARY APPOINTMENT ☐ REFERENCE

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 45

| | | |
|---|---|---|
| TBA GLOBAL, LLC,<br>Plaintiff,<br>-against-<br><br>PROSCENIUM EVENTS, LLC, MARK SHEARON, CHUCK SANTORO, JAMES CAVANAUGH, TRADE SHOW FABRICATIONS, INC., and RONALD SUISSA,<br>Defendants. | : | Index No.: 651171/2012<br><br>DECISION AND ORDER<br><br>Motion Sequence Nos. 002, 003 and 004 |

**MELVIN L. SCHWEITZER, J.:**

In this employment contract dispute defendants Mark Shearon, Chuck Santoro and James Cavanaugh (collectively, Defendants) move for partial summary judgment. Plaintiff TBA Global, LLC (TBA) alleges various causes of action that can be broken down into two categories: (1) Defendants improperly set up a competing company (defendant Proscenium Events, LLC (Proscenium)) while employed at TBA before resigning from TBA and joining Proscenium, and (2) Defendants have violated and continue to violate restrictive covenants in their employment contracts with TBA. Defendants do not move with respect to the first category but move with respect to the restrictive covenant allegations, contending that they are unenforceable as a matter of law.

TBA is a live events marketing company that plans and produces live event programs and marketing presentations for companies and branded products. Defendants are three former senior employees who signed non-solicitation agreements with TBA when they joined the company as a condition of their employment. They collectively resigned from TBA on June 6, 3011 and immediately began to compete with TBA as employees of Proscenium doing the same business as TBA. The parties vigorously dispute whether Defendants improperly set up Proscenium while

they were still employed at TBA. However, the court does not address that issue in this decision, as it is clearly a fact-intensive issue with respect to which the parties are conducting contentious discovery. The court limits its decision solely to the issue of whether the restrictive covenants are enforceable as a matter of law. Each of the three Defendants' respective covenants is worded differently. Mr. Shearon's Agreement provides that:

> "for the duration of [his] employment relationship with [TBA], and for a period of two (2) years after the termination of [his] employment relationship with [TBA] for any reason . . . [Shearon] will not, directly or indirectly, communicate with clients or customers of [TBA] or pursue business relationships developed while employed by [TBA], except for the exclusions listed at the end of this section. Communication with clients or customers and pursuing business relationships developed while employed by [TBA] means communication in a manner which is used to procure business by Employee or communication which would alter the business relationships of such customers or clients with [TBA] in a negative way. This prohibition includes assisting or supervising any other person to solicit or secure a business relationship with a client or customer of [TBA]."

*See* Affidavit of Lee Rubenstein, sworn to on January 3, 2013, at Ex. C § (c). There are no exclusions listed in Mr. Shearon's agreement

Mr. Cavanaugh's customer non-solicitation covenant with TBA provides:

> "for the duration of Employee's employment relationship with [TBA], and for a period of one (1) year after the termination of [his] employment relationship with [TBA] for any reason, Employee will not, directly or indirectly, communicate with clients or prospective clients of [TBA] that [he] had personal contact with while employed by [TBA] . . . The restrictions in this paragraph do not apply to the individuals, clients and customers listed on Exhibit A to this Agreement."

*Id.* Ex. A § (b). There are no exclusions listed in Mr. Cavanaugh's Agreement.

Mr. Santoro's customer non-solicitation covenant provides:

> "Employee further agrees that for the duration of [his] employment relationship with [TBA], and for a period of one (1) year after the termination of [his] employment relationship with [TBA] for any reason, Employee will not, directly or indirectly, communicate with clients or prospective clients of [TBA] that [he]

> had personal contact with while employed by [TBA]. . . . The restrictions in this paragraph do not apply to clients you bring with you to TBA in the event your employment terminates within the first year of employment. Beyond one year of employment, all restrictions contained herein will be fully enforced."

*Id.* Ex. B § (c). The TBA Agreements also include a covenant against soliciting or hiring TBA employees for a competing company during their employment with TBA and for one year (Messrs. Cavanaugh and Santoro) or two years (Mr. Shearon) after termination. *Id.* Ex. A § (c), Exs. B and C §§ (d).

**Discussion**

The parties dispute whether Delaware or New York law controls here. TBA, relying upon the fact that TBA is incorporated in Delaware and that each employment agreement provides that the terms of the agreement will be governed by and construed in accordance with Delaware law, argues Delaware law controls. Defendants argue the lack of a relationship with Delaware, and New York contacts, relationships and public policy favors the application of New York law.

It is well established in New York that "[t]he jurisdiction whose law the parties intended to apply . . . must bear a reasonable relationship to the agreement. . . ." *Gambar Enterprises Inc. v Kelly Services Inc.*, 69 AD2d 297 (4th Dept 1979); *Haag v Barnes*, 9 NY2d 554, 559-60 (1961); *Cargill v Charles Kowsky Resources Inc.*, 949 F2d 51 (2d Cir 1991) ("New York law allows a court to disregard the parties' choice when the 'most significant contacts' with the matter in dispute are in another state."); *Bossier Plaza Assocs v Pierson*, 156 AD2d 246 (1st Dept 1989); *Sabella v Scantel Medical Inc.*, 2009 WL 3233703, *12 (SDNY 2009) ("Under New York's choice of law rules, courts use a 'center of gravity' test . . . to determine the law

governing a contract. This is true even when the parties' contract provides a choice of law provision.")

New York courts "consider a spectrum of significant contacts, [to] includ[e] the place of contracting, the places of negotiation and performance, the location of the subject matter, and the domicile or place of business of the contracting parties." *Lazard Freres & Co. v Protective Life Ins. Co.*, 108 F3d 1531, 1539 (2d Cir 1997) (citing *In re Allstate Ins. Co. & Stolarz*, 81 NY2d 219 (1993)). New York has all of the significant contacts in this case, for it is in New York where: (i) Defendants worked at the time TBA recruited them to come to TBA and where the agreements were entered into, (ii) TBA assigned Defendants to work and from which office they performed their principal duties while employed at TBA, and (iii) Defendants since leaving TBA have maintained their offices and worked. Notwithstanding that TBA was originally formed in Delaware, New York is where TBA maintains its principal office, and where the majority of its employees and its senior management, including its President and CFO are based.

Conversely, except for TBA's formation and registration as a Delaware limited liability company, Delaware has no connection to the parties, to the formation of the contracts in issue or to the employment relationships which are at the heart of the dispute. TBA maintains no office or presence in Delaware and none of the Defendants ever worked or transacted business for TBA in Delaware. Hence, because all contacts relevant to the agreements and relationships at issue involve New York – and none involve Delaware – the agreements' designation of Delaware law is not be decisive here. *See SG Cowen Securities Corp. v Messih*, 2000 WL 633434, *4 (SDNY 2000), where in an employment dispute regarding an agreement that stipulated the application of New York law, the court applied California law because the relationships were in California.

Accordingly, the court will apply New York law in its analysis of the enforceability of the covenants.[1]

The starting point for analyzing the covenants here is *BDO Seidman v Hirshberg*, 93 NY2d 382 (1999), where the New York Court of Appeals adopted the "modern, prevailing standard of reasonableness for employee agreements not to compete [which] applies a three-part test" to determine whether or not the covenant is enforceable. Under this test, "[a] restraint is reasonable only if it: (1) is no greater than is required for the protection of the legitimate interest of the employer, (2) does not impose undue hardship on the employee, and (3) is not injurious to the public." 93 NY2d at 388-89 (citations omitted). Moreover, the Court of Appeals emphasized that "[a] violation of any prong renders the covenant invalid." *Id.*

The *BDO* court also reiterated its prior holding in *Reed, Roberts,* 40 NY2d 303, that a restrictive covenant will only survive the first prong of the test in cases where the employee's services are "unique or extraordinary," or where the departing employee uses confidential customer lists or trade secret to compete:

> In [*Reed Roberts*] we limited the cognizable employer interests under the first prong of the common-law rule to the protection against misappropriation of the employer's trade secrets or of confidential customer lists, or protection from competition by a former employee whose services are unique or extraordinary. . . .

---

[1] Even if the court were to apply Delaware law, the court doubts that its decision would be different. *See Knowles-Zeswitz Music, Inc. v Cara*, 260 A2d 171 (Del Ch 1969). The court notes, however, that Delaware law is much less developed than New York's law concerning the enforceability of restrictive covenants. Moreover, to the extent that Delaware's law would enforce the covenants at issue in this case and restrict the individual defendants from earning a livelihood, by seeking business from clients whom they brought to TBA in the first place, or with which clients TBA has no exclusive relationship or which clients seeks services through competitive bids, then it would be contrary to a fundamental policy of New York State. *See Reed, Roberts Associates, Inc. v Strauman*, 40 NY2d 303, 307-08 (1976).

*Id.* at 389; *Columbia Ribbon & Carbon Mfg. Co., Inc. v A-1-A Corp.*, 42 NY2d 496 (1977); *see also Buhler v Maloney Consulting, Inc.*, 299 AD2d 190 (1st Dept 2002) (non-compete clause held unenforceable where executive recruiter's services not extraordinary or unique and there was no unfair competition through utilizing employer's confidential information); *TMP Worldwide Inc. v Franzio*, 269 AD2d 332 (1st Dept 2000) (no irreparable injury in absence of evidence that former employee had misappropriated confidential customer lists or trade secrets or that his services were or a unique or extraordinary nature).

Here, TBA does not meet the first prong of the test because the Defendants' services were not unique or extraordinary as the court finds that their services are not sufficiently unique or extraordinary to render Defendants irreplaceable (*see Pure Power Boot Camp v Warrior Fitness Boot Camp*, 813 F Supp 2d 489 510 [SDNY 2011]), and TBA does not point to evidence (as opposed to broad and unsupported contentions) that Defendants misappropriated or used TBA's customer lists or trade secrets. The customers Defendants are accused of soliciting, T-Mobile, IBM, Daiichi Sankyo and Walmart, are large well-known companies readily ascertainable as potential business opportunities. *See Reed, Roberts*, 40 NY2d at 308.

Finally, the court notes that Mr. Santoro had a relationship with the only two clients for which Defendants have done work since leaving TBA, T-Mobile and Daiichi Sankyo, prior to joining TBA. In New York "a non-solicitation provision will be rejected as overly broad if it seeks to bar the employee from soliciting clients of the employer with whom the employee did not acquire a relationship through his or her employment, or if the provision extends to clients recruited through the employee's own independent efforts." *Pure Power Boot Camp*, 813 F Supp 2d at 511; *FTI Consulting, Inc v Graves*, 2007 WL 2192200, *8 (SDNY 2007) ("FTI

cannot extend the covenant to FTI clients with whom [its former employee] did not develop a relationship during the course of his employment with FTI"); *Arenson Office Furnishings, Inc. v Archondo*, 2006 WL 5229728 (Sup Ct NY Co 2006) ("Arenson has no legitimate interest in preventing Archondo from competing for the business of customers with whom he never developed a relationship while at Arenson or customers with whom he had a relationship with prior to his employment at Arenson")).

In *BDO Seidman*, the Court of Appeals explained the rationale for this rule:

> [T]he only justification for imposing an employee agreement not to compete is to forestall unfair competition
>
> * * *
>
> Professor Blake, in his seminal article in the Harvard Law Review, explains that the legitimate purpose of an employer in connection with employee restraints is "to prevent competitive use, for a time, of information or relationships which pertain peculiarly to the employer and which the employee acquired in the course of the employment"
>
> * * *
>
> It follows from the foregoing that BDO's legitimate interest here is protection against defendant's competitive use of client relationships which BDO enabled him to acquire through his performance of accounting services for the firm's clientele during the course of his employment. Extending the anti-competitive covenant to BDO's clients with whom a relationship with defendant did not develop through assignments to perform direct, substantive accounting services would, therefore, violate the first prong of the common law rule: it would constitute a restraint "greater than is needed to protect" these legitimate interests.
>
> * * *
>
> Indeed, enforcement of the restrictive covenant as to defendant's personal clients would permit BDO to appropriate goodwill created and maintained through defendant's efforts, essentially turning on its head the principal justification to uphold any employee agreement not to compete based on protection of customer or client relationships.

93 NY2d at 391-393.

The court finds *Willis of N.Y., Inc. v DeFelice*, 299AD2d 240 (1st Dept 2002), to be instructive. In that case an insurance brokerage firm sought to restrain its former employees from soliciting its clients. The trial court granted the employer a preliminary injunction with respect to certain of the employees. On appeal the First Department upheld the restraints against certain employees who were soliciting plaintiff's clients with which they developed relationships while employed at plaintiff, but the court modified the injunction to exclude clients the employees had brought with them to their former employer:

> [S]ince the record discloses that many of DeFelice's clients are loyal to him personally, and not to the firm at which he works, he should not be enjoined from soliciting the clients he originally brought with him to plaintiffs, or related account.

299 AD2d at 242.. Under these circumstances the court concludes the restrictive covenants TBA seeks to apply here against Defendants are unenforceable. Accordingly, the court grants Defendants' motion for partial summary judgment.

In motion sequence number 003, TBA moves for leave to amend its complaint to add additional defendants, including Mark Leiss, and to clarify certain existing claims. The court grants TBA's motion to the extent that it may amend and serve an amended complaint that is not inconsistent with the court's decision granting partial summary judgment with respect to the restrictive covenants. TBA is directed to serve and file its amended complaint within 30 days of this Decision and Order.

In motion sequence number 004, TBA moves to compel Proscenium and Messrs. Shearon, Santoro and Cavanaugh (collectively, the Proscenium Defendants), and Trade

Show Fabrications, Inc. and Ronald Suissa (collectively, the Trade Show Defendants)) to produce documents. Both sets of defendants cross-move to compel TBA to produce documents relating to the customers and lost business opportunities they claim to have lost as a result of the individual Proscenium Defendants alleged breach of their employment agreements with TBA.

The court denies TBA's motion and grants the Proscenium Defendants' cross-motion to the extent set forth below. The court concludes that the Proscenium Defendants should not now be required to produce any further documents until TBA identifies any customer or lost business opportunity it alleges to have lost and produce any documents not already produced relating to any such claims. If TBA asserts that it has no documents in its possession or control not already produced it should provide the court with an affidavit from one or more knowledgeable persons to that effect. After TBA provides such information, the court will then entertain a motion to compel from the Proscenium Defendants relating solely to the customers and business opportunities identified by TBA.

With respect to that part of TBA's motion to compel directed at the Trade Show Defendants, it appears they have now produced documents that are responsive to TBA's requests. The court, therefore, denies that part of TBA's motion to compel subject to TBA's right to renew its motion to compel against the Trade Show Defendants after TBA has met and conferred, and if it can then identify documents or categories of documents it believes have been withheld by the Trade Show Defendants. In addition, the court denies the Trade Show Defendants' cross-motion to compel at this time subject to their right to renew their cross-motion after the parties have met and conferred and if the Trade Show Defendants can identify any documents or categories of documents being withheld by TBA.

Dated: April 1, 2013

ENTER:

J.S.C.

MELVIN L. SCHWEITZER