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*An Insider Look at Successful Case Strategies,  
Understanding Client Goals, and  
Interpreting IP Laws and Trends*



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# Urgent Non-Compete Agreement Matters

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## **On Overview of IP Law: Value, Success, and the Client**

It is often a dire and trying situation for a client when key employees unexpectedly join a competitor or when the client's key operational or management secrets are taken. The client's owners, board members, management, and employees may feel various emotions, including anger, frustration, being let down, betrayal, stress, or pressure. They may perceive that their entity is in a business life-threatening situation and that it is in immediate jeopardy of operational disruption, loss of goodwill, harm to its reputation or market share, incalculable negative impact to revenue stream and profits, or harm to employee, customer, vendor, or supplier relationships. They desire to "act now" to turn the situation around and return things to generating profits and enhancing their entities values.

At the hearts of these matters are quite often the less traditional intellectual property protection vehicles of non-compete agreements, confidentiality agreements, and trade secret and confidential information laws. Unlike their more traditional counterparts (patents, copyrights, and trademarks), these less traditional protection vehicles are usually more individual jurisdiction-based. For instance, take non-compete agreements. If they are unreasonable as to time, territory, and interests to be protected, many jurisdictions will not enforce them or will rewrite them and thus make them narrower in scope. Further, while a number of jurisdictions may enforce non-compete agreements, to the extent they are reasonable as to time, territory, and interests to be protected, some jurisdictions have specific statutes or public policy that either prohibits enforcement altogether or permits it only in a very limited set of circumstances. Even if a jurisdiction permits a court to enforce non-compete agreements, a court may not enforce them due to other reasons, such as they are unsupported by independent consideration, are not assignable or transferable, or they were previously terminated.

Clients routinely seek enforcement of these types of intellectual property on a time urgent/emergency basis. As a result, a client is well advised to retain counsel who has experience in successfully representing clients in these types of emergency matters in the specific jurisdictions involved. Such counsel is able to quickly learn the client's goals (for both the short and long term), formulate a strategy to achieve the goals, explain the strategy to

the client, set the appropriate expectations with the client as to the possible outcomes of the strategy, instill confidence with the client as to the strategy, obtain the client's approval to implement the strategy, implement the strategy, and be able to assess its effectiveness and success post-implementation.

They have experience in handling these types of matters in various resolution forums. They are aware of procedures to obtain equitable emergency relief, such as a temporary restraining order or preliminary injunction.

They also keep abreast of the relative substantive law developments in their jurisdiction concerning items such as the consideration needed to support non-compete agreements, the enforceability of non-compete or confidentiality agreements, or the use of the inevitable disclosure doctrine.

### **Establishing Goals and Strategies: Issues to Consider**

When the client first meets with the counsel to discuss a traumatic matter like this, it is important for the counsel to learn as soon as possible the goals of the client. The sooner the goals are understood; the sooner counsel can develop and implement the strategy for the client.

To develop the strategy, counsel will need to know who is influencing the situation, who needs to be influenced, and whose interests are and may be affected by this matter. The types of people the lawyer needs to be aware of include employees, customers, vendors, suppliers, and competitors.

Counsel must also understand the forum available for the case, including whether it is a court or arbitration forum. Do the agreements identify the arbitration or litigation forum, or are they silent as to the forum? Similarly, do the agreements indicate which state's law is to govern the matter? With regard to non-compete agreements, what limits do the courts put on these agreements? Are they permitted or not? Can their time, territory, and interests to be protected terms be modified if unreasonable? What are the rules for consideration to support the non-compete agreements?

Depending upon the applicable laws and jurisdictions, counsel may need to seek assistance from outside counsel. These items all affect the strategy.

The retained counsel should be well versed in protective strategies, such as: (1) use of and response to demand letters, (2) applications for restraining orders or preliminary injunctions, (3) protection of document and electronic evidence, and (4) settlement discussion and negotiation.

### **Challenges to Effective Resolution**

Not surprisingly, one challenge is the short timeframe involved. The timeframe may affect the strategy and its implementation. As a result, counsel should keep the process as streamlined as possible, delegate where necessary, have a good understanding of the procedural and legal issues necessary to address the issues, be able themselves to quickly ascertain the goals of the client, establish a strategy, and be able to negotiate with the opposition. One approach is for lawyers within a firm to divide up the work involved with the matter. For example, one lawyer may take the lead with working with the client, developing the strategy, handling possible negotiations, and any argument to the court if necessary. Others may handle fact gathering, research, declaration/affidavit preparation, procedural pleading, briefing, forum scheduling, obtaining the necessary security to support the sought relief, and/or making the argument to the forum.

A second challenge is dealing with the costs associated with the matter. These types of matters are very expensive, and their costs mount very quickly. When going through a restraining order and preliminary injunction phase, these cases alone can cost clients anywhere from tens of thousands to hundreds of thousands of dollars depending upon the magnitude of the matter, the emotions involved, and the sought equitable relief, discovery, and related type strategies.

Yet another challenge is determining whether or not the possibility of imminent settlement exists. Sometimes the best global results are reached early in these types of matters, before positions have become too hardened.

### **Advanced Prevention**

In these types of cases, advanced prevention can make all the difference. With the counsel's assistance, a client should perform regular audits of the status and enforceability of their non-compete agreements, trade secrets, confidentiality agreements, employment agreements, non-disclosure agreements, license agreements, handbooks, and policies and procedures. A client should make sure they continue to implement the appropriate mechanisms to maintain trade secrets and the confidential nature of the information. Regular communication with counsel well before entering into such agreements and other protection procedures is important. Similarly, communication with counsel when first notice of a matter may be arising is critical, because it then gives counsel and the client additional time to ascertain the goals, develop the appropriate strategy, and address the situation.

### **Changes and the Future**

On a jurisdiction-by-jurisdiction basis, certain aspects of the laws concerning non-compete and confidentiality agreements, trade secrets, and confidential information may be clarified or refined in the future.

For example, for non-compete agreements, some jurisdictions may look at refining aspects of the consideration to support them; under what circumstances they may be assigned or transferred in a merger/acquisition, stock or asset sale, or as nationwide and worldwide business becomes easier; or under what circumstances nationwide/worldwide geographic limitations may be enforced. Similarly, some jurisdictions may also look to clarify their laws concerning whether someone should be enjoined from working for or with a competitor on the basis that it is inevitable that this person (while working for the competitor) will disclose trade secrets or confidential information to the competitor. Finally, some courts may review their current stance on whether they are required to issue a form of injunctive relief if there is a violation of their trade secrets statute or may do so only after proof of all of the equitable elements (such as likelihood of success on the merits, balancing the harms, irreparable harm, and the public's interest)..

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