STATE OF WISCONSIN CIRCUIT COURT WAUKESHA COUNTY

STORAGE BATTERY SYSTEMS, LLC,

Plaintiff,

-vs-

Case: 17CV1244

GLENN WILDER, and
PROFESSIONAL POWER ENGINEERING, LLC.

Defendants.

DECISION AND TEMPORARY INJUNCTION

¶1. On July 25, 2017, Storage Battery Systems, LLC ("SBS") filed suit against its former employee, Glenn Wilder, and his company, Professional Power Engineering, LLC ("PPE"). The Complaint contains four counts: (1) breach of duty of loyalty; (2) breach of contract; (3) misappropriation of trade secrets in violation of Wis. Stat. § 134.90; and (4) computer crimes in violation of Wis. Stat. § 943.70. SBS seeks damages and permanent injunctive relief.

¶2. Along with the complaint, SBS filed a request for a temporary restraining order requiring the defendants to cease and desist immediately from soliciting, contacting or accepting business from any SBS customers for any of the company's products or services; soliciting or contacting any SBS distributors for the purpose of selling any of the company's products or services to its customers; soliciting or contacting any SBS suppliers for the purpose of selling any of the company's products or services to its customers; and using and disclosing confidential

information that belongs to SBS to compete with SBS. The Court, the Honorable Kathryn Foster, reviewed the materials, signed the TRO on July 25, 2017, and scheduled a hearing on the request for a temporary injunction on August 23, 2017.

¶3. The case was assigned to the Commercial Court Docket on August 8, 2017, and the hearing on the temporary injunction was rescheduled to August 25, 2017, and continued on September 5, 2017. The Court heard testimony from John Bondy, Max Mueller, and Jessica King from SBS, and from Glenn Wilder.

FINDINGS

¶4. The Court makes the following findings of fact based upon the credible evidence.

¶5. SBS manufactures, distributes and sells batteries for material handling equipment, stationary and portable power solutions, backup battery systems, uninterruptible power supplies ("UPS") and batteries, battery testing equipment, power generators, and related equipment and supplies. It sells them to distributors and customers located throughout the United States and internationally.

¶6. SBS was founded in 1915. From approximately 1970 through June 2012, it operated as Storage Battery Systems, Inc. ("SBSI"), which was owned by the Rubenzer family. In June 2012, the Rubenzer family sold the business to Supply Chain Equity Partners ("SCE"), which formed Storage Battery Systems, LLC and began operating on July 2, 2012.

¶7. On May 19, 2017, SCE sold the company to High Road Capital Partners, which continues to operate as Storage Battery Systems, LLC.

¶8. Glenn Wilder began working for SBSI in 1991. From July 2, 2012, through the termination of his employment on July 7, 2017, he worked for SBS as a sales manager in the Stationary department, selling stand-alone, UPS and stationary battery systems to SBS's

customers and distributers. He also worked with SBS's suppliers to obtain and provide that equipment in support of customer orders.

¶9. In his capacity as sales manager, Mr. Wilder had access to confidential information and knowledge about SBS's suppliers, distributors and customers, including information about key contacts, pricing, requests for quotes, sales agreements, costs and other SBS information.

¶10. In approximately 2006, Mr. Wilder incorporated Professional Power Engineering ("PPE") to assist in obtaining additional business for SBS. Because Mr. Wilder is African-American, PPE was able to qualify as a minority-owned business. As a minority-owned business, PPE could obtain sales from customers whom SBS may not otherwise have been able to obtain business.

¶11. Prior to forming PPE, Mr. Wilder approached then president of SBSI, Scott Rubenzer, who supported Mr. Wilder in using PPE to obtain business for SBSI. Mr. Rubenzer even assisted Mr. Wilder in forming PPE.

¶12. Starting in 2006, Mr. Wilder was able to use PPE to obtain business from state and governmental entities. Mr. Wilder obtained that business through the use of SBSI customer lists and supplier lists. The PPE business was set up to have PPE purchase UPS systems from SBSI. Mr. Wilder, on behalf of PPE, would generate invoices where SBSI was the vendor and SBSI shipped directly to the customer. Because SBSI profited from transactions, SBSI did not object and likely encouraged Mr. Wilder's use of PPE to generate sales of SBSI products.

¶13. Between 2006 and 2012, Mr. Wilder obtained business for PPE and SBSI, and some of that business is still ongoing to date because of the long-term nature and renewal of that business.

¶14. When SCE acquired SBSI, and began operating as SBS in July 2012, it extended an offer of employment to Mr. Wilder reflected in a letter of June 28, 2012—an offer Mr. Wilder accepted on July 2, 2012. Ex. 1. The offer referenced and enclosed several additional forms and agreements, including specifically, an Employment Application, Form W-4, Employee's Withholding Allowance Certificate, Form I-9, Employment Eligibility Verification, with Instructions, Agreement of Confidentiality and Noncompetition (if applicable), and Agreement of Confidentiality. *Id*. ¶ 10 and referenced enclosures.

¶15. In noting the different agreements, paragraph 10 of the employment offer references paragraph 7, which provides

> Some employees work at jobs which, while working at Old SBS in the past and/or while working for the Company in the future, gave and/or will give them access to confidential information or involve relationships with customers, distributors or suppliers. If we determine that you are working at one of those jobs, this offer of employment is conditioned upon your signing of either an Agreement of Confidentiality and Noncompetition or an Agreement of Confidentiality which we will provide to you, and your returning it to us when you begin your employment.

¶16. On July 2, 2012, Mr. Wilder signed the Confidentiality and Noncompetition Agreement as a condition of his employment. Ex. 2. In the Confidentiality and Noncompetition Agreement, Mr. Wilder agreed that during his employment and for a period of one (1) year following the termination of his employment, he would not, within the defined territory, do any of the following:

> (a) The Employee agrees that during the Restricted Period the Employee will not, within the Territory, directly or indirectly (through partners, agents, employers, employees, distributors, or any other persons acting for, with or on behalf of the Employee), solicit or in any way contact any of the Company's Customers for the purpose of selling to any of the Company's Customers any of the Company's Products and Services, or accept any orders or business from any of the Company's Customers for any of the Company's Products and Services.

(b) The Employee also agrees that during the Restricted Period the Employee will not, within the Territory, directly or indirectly (through partners, agents, employers, employees or any other persons acting for, with or on behalf of the Employee), solicit or in any way contact any of the Company's Distributors for the purpose of selling to any of the Company's Customers any of Company's Products and Services.

(c) The Employee also agrees that during the Restricted Period the Employee will not, within the Territory, directly or indirectly (through partners, agents, employers, employees or any other persons acting for, with or on behalf of the Employee), solicit or in any way contact any of the Company's Suppliers for the purpose of selling to any of the Company's Customers any of the Company's Products and Services.

¶17. The Confidentiality and Noncompetition Agreement also precluded Mr. Wilder for a period of one (1) year following the termination of his employment from disclosing Confidential Information, as follows:

3. CONFIDENTIALITY AGREEMENT. The Employee agrees that, during the Restricted Period, the Employee will not directly or indirectly, unless authorized by an officer or the Company, disclose to any individual or entity of any type any Confidential Information. Upon termination of employment (regardless of whether the termination is voluntary or involuntary), the Employee agrees to promptly deliver to the Company the originals and all copies of all documents, records and property of any nature whatsoever which are the property of the Company or which contain any Confidential Information or which relate to any Confidential Information, and which are in the Employee's possession or control at the time of the termination of employment.

The Employee understands and agrees that nothing in this Agreement limits or restricts the continuing obligations the Employee has not to disclose Trade Secrets under the Uniform Trade Secrets Act as adopted by Wisconsin and as amended from time to time and any and all other fiduciary obligations the Employee may have to the Company as an employee.

¶18. John Bondy is the President of SBS and has worked in that capacity since July 2015. Prior to July 2015, he was the Chief Operating Officer ("COO") of SBS, a position he occupied since February 2013.

¶19. When Mr. Bondy became the COO of SBS, he met with Mr. Wilder in March 2013 to discuss, among other things, roles and responsibilities, financial results, budgets and "Professional Power Engineering." Ex. 3. Mr. Bondy testified that, as to the topic of "Professional Power Engineering," he told Mr. Wilder that he was uncomfortable with SBS selling product to PPE because he saw it as a conflict of interest. Mr. Bondy testified that Mr. Wilder told him that PPE was essentially dormant and that there was an understanding that Mr. Wilder would no longer use PPE to sell products.

¶20. Mr. Wilder testified that PPE was discussed in the March 2013 meeting, but that Mr. Bondy simply stated that he was uncomfortable with SBS selling to PPE, and that there was no specific instruction or agreement that Mr. Wilder could not continue to sell through PPE. Mr. Wilder testified that he does not recall saying that PPE was dormant, but testified that PPE's sales at that time were minimal.

¶21. From March 2013 to 2017, Mr. Wilder acknowledged at the hearing and in his affidavit opposing injunctive relief that PPE continued to sell products, though PPE stopped using SBS as its supplier. Although Mr. Wilder suggested that the amount of sales annually were small, neither side presented any specific evidence regarding the amount of sales made by PPE during this period.

¶22. Mr. Wilder also testified that after 2013, SBS was aware that he was operating PPE and that it permitted him to continue to sell through PPE even after the Confidentiality and Noncompetition Agreement was signed. Specifically, Mr. Wilder testified about a specific

transaction in or about August 2016 involving a prior SBS customer, JP Cullen/Evonik, and a request for a unit that SBS no longer had. The outdated units had been returned to SBSI as part of the original sale of the business. Because SBS could not sell them as part of the acquired inventory, the units were returned to SBSI as part of a "clawback" provision. When SBS would not agree to sell the unit to the customer, Max Mueller—Mr. Wilder's supervisor at SBS—suggested that Mr. Wilder use PPE to acquire the unit from SBSI to sell it to the customer. Mr. Mueller, as a part owner of SBSI, believed he had authority to sell the unit to PPE, and testified that Mr. Bondy even approved the transaction. Because the unit required installation, Mr. Mueller and Mr. Wilder agreed to split the cost of having an SBS employee install the unit for the customer. The SBS employee, Bret Lewis, was instructed to take a day off to perform the installation, for which he was paid by PPE, and 50% of the installation cost was deducted from the price of the unit PPE paid to Mr. Mueller. Exs. 101, 102.

¶23. Mr. Bondy testified that he was unaware until February 2017 that Mr. Wilder was continuing to sell product and services through PPE.

¶24. On March 26, 2015, SBS and Mr. Wilder signed a Confidentiality Agreement. Jessica King signed on behalf of SBS. Ms. King is a staff accountant and works in human resources assisting Bob Mitchell, the SBS person responsible for human resources at SBS. Ms. King testified that she attended a human resources seminar which highlighted best practices of updating human resource documents annually to ensure compliance with the employee handbook. She testified that she obtained copies of the different policies from the computer and unilaterally had all of the employees sign various human resource documents at the SBS annual meeting, including an electronic media policy, acknowledgement of the employee handbook, and proprietary information acknowledgement. *See* Ex. 21.

¶25. On further examination, however, it was clarified that Mr. Mitchell, her superior and Controller and Manager of Human Resources, was aware of what she was doing in having the employees sign these documents at the annual meeting, and in fact had approved her doing so. Ms. King testified that Mr. Mitchell himself signed the confidentiality agreement and other human resource documents at the annual meeting, and that Mr. Bondy signed the other documents, but did not sign the confidentiality agreement "because he had a separate agreement." That is also true of Mr. Wilder's supervisor, Max Mueller—that is, he signed the other acknowledgements, but did not sign the confidentiality agreement because "[h]e also had a separate employment agreement."

¶26. Ms. King said she distinguished, to the extent she was aware, between people who had other agreements like the confidentiality agreement in place (e.g. Messrs. Bondy and Mueller) and did not have those people sign the confidentiality agreement, but attempted to have all other employees sign the confidentiality agreement.

¶27. During the hearing SBS suggested on a number of occasions that Ms. King did not have authority to sign the Confidentiality Agreement or bind the company. Thereafter, SBS conceded that Ms. King had authority and that SBS was not disavowing the effectiveness of the Confidentiality Agreement.

¶28. The terms of the Confidentiality Agreement are identical to the terms contained in the Confidentiality and Noncompetition Agreement as it relates to the confidentiality obligations imposed on Mr. Wilder. As the title of the agreement makes clear, however, the latter identifies additional agreements not to compete that are not included in the former.

¶29. The Confidentiality Agreement contains the following provisions:

> 7. MISCELLANEOUS. This Agreement shall inure to the benefit of and shall be enforceable by the Company, its

> successors and assigns. No delay or failure by the Company in exercising any right under this Agreement shall constitute a waiver of that or any other right. This Agreement supersedes all previous confidentiality agreements and all such previous agreements are canceled. Nothing in this Agreement shall be construed to limit or otherwise restrict the Company from terminating the Employee's employment although the Employee understands that his or her obligations and commitments relating to Trade Secrets and Confidential Information shall continue beyond the period of the Employee's employment with the Company.
>
> 8. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties. There are no promises, terms, conditions, or obligations other than those contained herein. This Agreement shall supersede all previous communications, representations or agreements, between the parties.

¶30. In February 2017, Mr. Mueller received a complaint that Mr. Wilder had not been responsive in relation to some business inquiries. In order to address the issue, Mr. Mueller accessed Mr. Wilder's SBS emails and noticed some suspicious emails in which Mr. Wilder was sending emails to himself at a PPE email exchange. Mr. Mueller did not follow-up on the matter because of the press of other matters, specifically, the eminent sale of SBS in May 2017.

¶31. On April 21, 2017, Mr. Wilder had his attorney notify SBS that he was pursuing a claim for race and age discrimination. Ex. 100. On April 28, 2017, Mr. Wilder filed with the Wisconsin Department of Workforce Development a discrimination complaint against SBS. Ex. 19.

¶32. In May 2017, Mr. Mueller received a call from a sales representative in Indiana. Mr. Mueller contacted an SBS supplier called Powervar to determine if it would have a unit that matched the specifications for the request. Apparently, when Mr. Mueller spoke with Mike Chmura of Powervar, Mr. Chmura stated that he worked only with Mr. Wilder, and would not work with anyone else at SBS. Ex. 7.

¶33. In May 2017, an SBS director, Tommy Kosek, apparently performed an exit interview for a former employee named Jason Adkins. In that conversation, apparently Mr. Adkins said he was being called by another former SBS employee, Joe Depola, who said he is working with Mr. Wilder and had been before Mr. Depola had been let go from SBS. Ex. 8. At the hearing, Mr. Wilder denied working with Mr. Depola outside of SBS.

¶34. In June 2017, a representative of Powervar confirmed to Mr. Mueller that it did business with PPE and that sales for the prior year approximated $10,000.

¶35. Because of the matters discussed in preceding five paragraphs, representatives of SBS became concerned about Mr. Wilder and the potential of him competing against SBS through PPE. Mr. Mueller located PPE's website, which identified a list of other companies on it, including suppliers and competitors of SBS. Ex. 9. Mr. Wilder testified that he put the various names on the website to draw attention to his business and the type of business he was in and could do, but said he was not doing business with most of them, and that almost all of the listed customers and suppliers had not done business with SBS for many years.

¶36. On June 27, 2017, Messrs. Bondy, Mueller and Mitchell confronted Mr. Wilder in a meeting originally scheduled as a follow up to Mr. Wilder's annual review. In that meeting, SBS confronted Mr. Wilder about diverting opportunities from SBS through the use of PPE, and requested that Mr. Wilder provide him information to assist SBS in its investigation of him and PPE. Specifically, SBS requested that Mr. Wilder provide a signed release authorizing various SBS suppliers to provide information about PPE transactions from 2014 to the present, as well as sales and income tax returns to show income associated with PPE. Finally, SBS requested that Mr. Wilder turn in his company-owned smartphone. At the meeting, Mr. Wilder refused to turn over the phone because it had sensitive personal information on it. He also admitted in his

affidavit opposing injunctive relief that he used the phone for communications regarding PPE. Mr. Wilder said he would work to delete the personal information and return the phone to SBS. SBS granted him the opportunity to remove the personal information on the express condition that he not delete or otherwise destroy any other data on the phone. Ex. 10

¶37. On July 5, 2017, Mr. Wilder returned the phone to SBS. The phone had been reset to factory settings, and all information was deleted from the phone, as confirmed by SBS's digital forensics provider. Ex. 11.

¶38. Mr. Wilder testified that when he was transferring information from the SBS phone to a new smartphone, "it was all or nothing," and information could not be transferred to his new phone and also remain on the old phone. After information was transferred to his new phone, Mr. Wilder testified that all texts, call histories, and voicemail messages were deleted from the SBS phone. He testified that because he no longer had access to the SBS server, the SBS emails were not transferred to the new phone, and that no texts, call histories, or voicemail messages were transferred to the new phone.

¶39. On July 6, 2017, Mr. Wilder, through his attorney, informed SBS that he was unwilling to provide SBS with any requested information about the business activities of PPE. Exs. 12, 13.

¶40. SBS terminated Wilder's employment on July 7, 2017, identifying as grounds for the termination Wilder's refusal to provide the requested information and his destruction of the data on his phone. Ex. 14.

¶41. Prior to the hearing, the parties had not engaged in any formal discovery. SBS, however, had been reviewing Mr. Wilder's former SBS emails since his termination in July 2017. Among the emails SBS reviewed was an email chain dated April 26, 2016, relating to a

Mark Travel quote. Ex. 20. Mark Travel was a former customer of SBS and Mr. Wilder testified that a principal of Mark Travel, Gary, no longer wanted to deal with SBS. On the email chain, Mr. Wilder copied himself at the PPE email address. Mr. Wilder testified in his affidavit that PPE had been dealing with Mark Travel since 2011.

¶42. Mr. Wilder testified that he has not spoken with Gary regarding the pending litigation and related hearing for injunctive relief, and in fact had not spoken to him since prior to Mr. Wilder's termination. Nonetheless, SBS representatives, who have access to Mr. Wilder's SBS phone with the same phone number Mr. Wilder had used prior to his termination, played a voicemail from a "Gary," to Mr. Wilder, received during the hearing on the injunction. The voicemail stated:

> "Hey Glenn, Gary. I'm sorry I didn't catch your call. Calling you back. If you just say you wanted a special battery that SBS couldn't supply it, that's an option, all right. Call me."

¶43. Mr. Wilder is a resident of Sussex, Waukesha County, Wisconsin. PPE is a limited liability company organized under the laws of the State of Wisconsin with a principal place of business in Sussex, Waukesha County, Wisconsin.

¶44. Jurisdiction and venue are appropriate in the Circuit Court for Waukesha County.

DISCUSSION

I. PRINCIPLES FOR GRANTING TEMPORARY INJUNCTIVE RELIEF.

¶45. To obtain a temporary injunction, "the movant must show a reasonable probability of success on the merits, an inadequate remedy at law, and irreparable harm." *Spheeris Sporting Goods, Inc., v. Spheeris on Capitol*, 157 Wis.2d 298, 306, 459 N.W.2d 581, 585 (Wis. App. 1990) (citing *Werner v. A.L. Grootemaat & Sons, Inc.*, 80 Wis.2d 513, 519-20, 259 N.W.2d 310, 313-14

(1977)). Generally, a preliminary injunction is appropriate to prohibit unfair competition. *Id.* at 306 (citing *Mercury Record Prod., Inc. v. Economic Consultants, Inc.*, 64 Wis.2d 163, 188, 218 N.W.2d 705, 717 (1974)).

¶46. In determining whether a plaintiff has demonstrated a reasonable probability of success on the merits, "the threshold is low. It is enough that 'the plaintiff's chances are better than negligible…'" *Brunswick Corp. v. Jones*, 784 F.2d 271, 275 (7th Cir. 1986) (quoting *Roland Machinery Co. v. Dresser Industries,* 749 F.2d 380, 387 (7th Cir. 1984)).

> In seeking an injunction[,] it is not necessary to prove that the plaintiff has suffered irreparable damage but only that he is likely to suffer such damage. The remedy at law may be inadequate because of the difficulty or impossibility of measuring the damages. . . These rules are well established and fundamental in equity jurisprudence.
>
> The purpose of an injunction is to prevent damage, not to compensate for it. The defendant agreed not to cause any damage to the plaintiff. Such damage is threatened and would be irreparable in its very nature. A court of equity would grant it special relief in such a case.

Lakeside Oil Co. v. Slutsky, 8 Wis. 2d 157, 168, 98 N.W.2d 415, 422 (Wis. 1959)(citation omitted). "[A]t the temporary injunction stage the requirement of irreparable injury is met by a showing that, without it to preserve the status quo pendente lite, the permanent injunction sought would be rendered futile." *Werner v. A.L. Grootemaat & Sons, Inc.*, 80 Wis. 2d 513, 520, 259 N.W.2d 310, 314 (1977).

¶47. At bottom, injunctions are equitable relief. *See Madison Teachers, Inc. v. Madison Metro. Sch. Dist.*, 197 Wis. 2d 731, 747, 541 N.W.2d 786, 793 (Ct. App. 1995). Whether to grant an injunction is a matter within the discretion of the trial court, weighing the equities in accordance with the law and the facts before it. *See Sunnyside Feed Co. v. City of Portage*, 222 Wis. 2d 461, 471, 588 N.W.2d 278, 283 (Ct. App. 1998), *review denied*, 222 Wis. 2d 676, 589 N.W.2d 630 (1998).

II. PRINCIPLES RELATING TO THE ENFORCEABILITY AND INTERPRETATION OF RESTRICTIVE COVENANTS.

¶48. In this case, the Court is dealing with two restrictive covenants as part of an employment relationship. In Wisconsin, restrictive covenants are by their nature suspect as restraints of trade and disfavored at law. *Star Direct, Inc. v. Dal Pra,* 2009 WI 76, ¶19, 319 Wis.2d 274, 767 N.W.2d 898. They must withstand close scrutiny as to their reasonableness. *Id*.

> But this does not mean we make an effort to read a clause unreasonably in order to find the clause unreasonable and unenforceable against the employee. Though they are disfavored at law, our task is still to rightly and fairly interpret non-compete agreements as contracts. *See Wysocki,* 243 Wis.2d 305, ¶ 11, 627 N.W.2d 444. ("[W]e cannot allow the underlying policy of Wis. Stat. § 103.465 and our rules of construction to overwhelm the focus of our analysis in what are, at their core, contract cases.") This means we must interpret them reasonably so as to avoid absurd results, giving the words their plain meaning, reading as a whole, and giving effect where possible to every provision.

Id. ¶62.

¶49. The enforceability of restrictive covenants is governed by Wis. Stat. § 103.465, and must satisfy two main principles. First, restrictive covenants are "lawful and enforceable only if the restrictions imposed are reasonably necessary for the protection of the employer." *Id.* ¶20. The Supreme Court has established five prerequisites a restrictive covenant must satisfy to meet this requirement:

> A restrictive covenant must: (1) be necessary for the protection of the employer, that is, the employer must have a protectable interest justifying the restriction imposed on the activity of the employee; (2) provide a reasonable time limit; (3) provide a reasonable territorial limit; (4) not be harsh or oppressive as to the employee; and (5) not be contrary to public policy.

Id. paras 20 (citations omitted).

¶50. The second principle under Wis. Stat. § 103.465 is that "[a]ny covenant … imposing an unreasonable restraint is illegal, void and unenforceable even as to any part of the covenant or performance that would be a reasonable restraint." *Id.* ¶ 21 (citations and quotations omitted). Thus, if any portion of the restrictive covenant fails to satisfy the above-enumerated factors, the entire covenant is unenforceable. *Fields Foundation, Ltd. v. Christensen*, 103 Wis.2d 465, 471, 309 N.W.2d 125, 129 (Wis. App. 1981). The employer, not the employee, bears the burden of demonstrating that the restriction is reasonable. *Star Direct*, 2009 WI 76 ¶ 20. "[T]o enforce a restraint, the employee must present a substantial risk either to the employer's relationships with his customers or with respect to confidential business information." *NBZ, Inc. v. Pilarski*, 185 Wis.2d 827, 840, 520 N.W.2d 93, 97 (Wis. App.1994) (quoting *Fields Foundation*, 103 Wis. 2d at 471, 309 N.W.2d at 129).

¶51. In the present case, Mr. Wilder does not challenge the reasonableness of the restrictions under Wis. Stat. § 103.465. Instead, Mr. Wilder contends that he is not subject to a noncompetition agreement because the Confidentiality Agreement signed in 2015 has a merger clause and it bars enforcement of the Confidentiality and Noncompetition Agreement signed in 2012. In addition, he contends that SBS is precluded from enforcing any noncompetition covenants because SBS knew and approved Mr. Wilder's use of PPE to obtain business while he was an SBS sales manager.

¶52. With respect to the covenant not to use SBS's confidential business information, Mr. Wilder contends that any disclosure of confidential information occurred prior to the signing of the Confidentiality and Noncompetition Agreement in 2012, and that SBS has waived the opportunity to protect confidential business information by permitting Mr. Wilder to use it on

behalf of PPE and otherwise by failing to make efforts to preserve the confidentiality of the information.

III. THE CONFIDENTIALITY AGREEMENT DOES NOT CONTAIN A NONCOMPETE AND ITS MERGER CLAUSE BARS RELIANCE ON THE CONFIDENTIALITY AND NONCOMPETITION AGREEMENT.

¶53. The Confidentiality Agreement signed on March 26, 2015, contains the identically worded confidentiality provisions as those contained in the Confidentiality and Noncompetition Agreement signed on July 2, 2012. The Confidentiality Agreement, however, does not contain any of the provisions precluding competition found in the 2012 agreement. As noted above, the Confidentiality Agreement contains the following clause, generally identified as a merger or integration clause:

> 8. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties. There are no promises, terms, conditions, or obligations other than those contained herein. This Agreement shall supersede all previous communications, representations or agreements, between the parties.

¶54. "When [a] contract contains an unambiguous merger or integration clause, [a] court is barred from considering evidence of any prior or contemporaneous understandings or agreements between the parties, even as to the issue of integration." *Town Bank v. City Real Estate Dev., LLC,* 2010 WI 134, ¶39, 330 Wis. 2d 340, 793 N.W.2d 476. In *Dairyland Equip. Leasing, Inc. v. Bohen*, 94 Wis. 2d 600, 608, 288 N.W.2d 852, 855-56 (1980), the Wisconsin Supreme Court defined a merger clause as a "written provision which expressly negatives collateral or antecedent understandings."

¶55. An unambiguous merger or integration clause thus demonstrates that the parties intended the contract to be a final and complete expression of their agreement. *See Matthew v. Am. Family Mut. Ins*., 54 Wis. 2d 336, 341-42, 195 N.W.2d 611, 614 (Wis. 1972).

¶56. SBS contends that the Supreme Court unartfully applied prior precedent in *Town Bank*, and that the merger doctrine only applies when the agreement sought to be integrated or merged relates to the same subject matter as the subsequent agreement containing the merger clause. Although Mr. Wilder disagrees, the Court is convinced that the Supreme Court in *Town Bank* did not intend to eliminate the same subject matter requirement

¶57. In *Matthew v. Am. Family Mut. Ins.*, the Wisconsin Supreme Court discussed the impact of a merger or integration clause under the parol evidence rule, explaining that the presence of an unambiguous integration clause "precludes the introduction into evidence of any . . . prior agreements, written or oral, which relate to the same subject matter as the agreement in question." *Id.* (citations omitted). The Court reiterated this proposition in *Dairyland Equip. Leasing, Inc. v. Bohen*:

> [E]vidence of contemporaneous or prior agreements, written or oral, which relate to the same subject matter as the agreement in question is not admissible when the written agreement embodies written terms excluding additional understandings or agreements not contained in the writing, i.e., 'merger' clauses. With this much we can agree.

94 Wis. 2d at 608, 288 N.W.2d at 855. Removing the subject matter requirement would lead to absurd results, and prevent enforcement of prior, unrelated agreements the parties clearly had no intention of superseding by a subsequent agreement.

¶58. SBS contends that the Confidentiality Agreement does not relate to the same subject matter as the Confidentiality and Noncompetition Agreement for many reasons. First, SBS contends that the titles of the agreements themselves establish they relate to different things,

with the prior-in-time agreement containing two separate agreements—one dealing with confidentiality obligations and the other noncompetition obligations. SBS points to the language of the Confidentiality Agreement itself for the position that it was only meant to replace and integrate any prior *confidentiality* agreements. Paragraph 7 of the Confidentiality Agreement provides

> 7. MISCELLANEOUS. This Agreement shall inure to the benefit of and shall be enforceable by the Company, its successors and assigns. No delay or failure by the Company in exercising any right under this Agreement shall constitute a waiver of that or any other right. **This Agreement supersedes all previous confidentiality agreements and all such previous agreements are canceled**. …

¶59. Because this provision specifically defined the agreements it superseded, that is, "confidentiality," and not "noncompetition," or left it general and undefined, SBS contends it is clear that the Confidentiality Agreement was not meant to bar or supersede the noncompetition obligations contained in the Confidentiality and Noncompetition Agreement under principles of contract construction, citing *Goldmann Trust v. Goldmann*, 26 Wis.2d 141, 148, 131 N.W.2d 902 (1965) ("[An] important rule employed in construing agreements is that where there is an apparent conflict between a general and a specific provision, the latter controls.")

¶60. SBS also relies upon the holding in *Star Direct, Inc. v. Dal Pra,* 2009 WI 76, ¶82, 319 Wis. 2d 274, 767 N.W.2d 898, to contend that the Confidentiality and Noncompetition Agreement and the later signed Confidentiality Agreement do not relate to the same subject matter and therefore the latter should not bar enforcement of the former. In *Star Direct,* the Wisconsin Supreme Court addressed the question of whether the unenforceability of any one of three restrictive covenants contained in an employment agreement (non-solicitation, non-compete, confidentiality) rendered the other covenants unenforceable—that is, whether the

agreements stood on their own and were divisible from each other. 2009 WI 76, ¶78. The Supreme Court held that "[r]estrictive covenants are divisible when the contract contains different covenants supporting different interests that can be independently read and enforced." *Id.*

¶61. The Court is not persuaded by SBS's arguments. It concludes that the merger clause in the Confidentiality Agreement clearly and unequivocally relates to the same subject matter of the prior agreement and bars enforcement of the Confidentiality and Noncompetition Agreement and specifically, its noncompetition provisions. As the recitals in both agreements make clear, both relate to the protection of SBS's confidential business information and assets of the company vital to its success. Moreover, it is well established that "[t]he purpose of a covenant not to compete is to prevent, for a time, the competitive use of information or contacts gained as a result of the departing employee's association with the former employer." *General Med. Corp. v. Kobs,* 179 Wis. 2d 422, 435, 507 N.W.2d 381, 386 (Wis. App. 1993) (citations omitted). The information potentially used for competitive purposes are likewise protected from disclosure by the confidentiality agreement.

¶62. Importantly, both agreements identify their purpose in exactly the same language:

> The purpose of this Agreement is to set forth in writing the terms and conditions of the Employee's and Company's agreements and understandings with respect to these reasonable restrictions to protect the legitimate interests of the Company while not unreasonably restricting the Employee's mobility, the Employee's ability to find post-employment opportunities, or the use of the Employee's general knowledge and skills. As such, both parties believe the terms of this Agreement are reasonably limited in the scope of activities affected, reasonably limited in duration and reasonably limited in the area and activities covered.

Compare Ex. 2 ¶D *with* Ex. 6 ¶F.

¶63. Even if the Court were to consider the extraneous evidence to assess whether the agreements relate to the same subject matter, that evidence clearly establishes that they do. First, the offer sent to Mr. Wilder in June 2012 identified various agreements that he would be obligated to sign. Importantly, that offer makes clear that he would be receiving *either* an agreement of confidentiality and noncompetition *or* an agreement of confidentiality. With respect to all of the other human resource and employment forms made a condition of his employment, the offer made clear that he would receive one or the other—an agreement of confidentiality and noncompetition *or* an agreement of confidentiality. This confirms that they related to the same subject matter.

¶64. Moreover, Ms. King testified that when she circulated the various policies and agreements for signature by the SBS employees in 2015, she testified that not all the employees signed the confidentiality agreement. She testified, for example, that Messrs. Bondy and Mueller signed all of the human resource policies and acknowledgements signed by other employees, but that they did not sign the confidentiality agreement because they each had "a separate employment agreement." Apparently, care was taken in 2015 to ensure that those with a separate employment agreement, senior officers likely the subject of noncompetition obligations, did *not* sign the confidentiality agreement for fear of how it might impact other provisions of their employment. The only logical conclusion from this conduct is that Ms. King and Mr. Mitchell understood that Messrs. Bondy and Mueller had signed the alternative to the confidentiality agreement, that is, the confidentiality and noncompetition agreement, and recognized that by having them sign the confidentiality agreement in 2015, it would potentially impact their other obligations.

¶65. Finally, *Star Direct* held that restrictive covenants in the same agreement are divisible when one or more are found to be unenforceable under Wis. Stat. sec. 103.465. 2009 WI 76. ¶77. *Star Direct* does not address whether two agreements relate to the same subject matter such that the former is merged into and barred by the latter under a merger clause.

¶66. Accordingly, because the Court finds that the Confidentiality and Noncompetition Agreement is barred by the Confidentiality Agreement, Mr. Wilder is not subject to any noncompetition obligations. There is no reasonable chance of success on this issue and therefore the request for a temporary injunction enjoining the enforcement of noncompetition obligations is denied.

IV. SBS IS NOT BARRED FROM ENFORCING THE CONFIDENTIALITY AGREEMENT AND SBS IS ENTITLED TO TEMPORARY INJUNCTIVE RELIEF ENJOINING MR. WILDER FROM USING OR DISCLOSING CONFIDENTIAL INFORMATION AND ORDERING HIM TO DELIVER TO SBS THE ORIGINALS AND ALL COPIES OF ANY CONFIDENTIAL INFORMATION.

¶67. "While a principal is not entitled to protection from 'legitimate and ordinary competition of the type that a stranger could give,' reasonable restraint is permissible if the employee presents 'a substantial risk either to the employer's relationships with his customers or with respect to confidential business information.'" *Pollack v. Calimag*, 157 Wis.2d 222, 237, 458 N.W.2d 591, 598 (Wis. App. 1990) (citations omitted).

¶68. The Confidentiality Agreement defines "Confidential Information" as

> the Company's lists of Company customers, suppliers and distributors, its costs and pricing, methods of pricing, agreements and transactions between the Company and any Company customer or supplier or distributor, the Company's procedures, operations, business software and computer programs and printouts, production and sales records, inventory systems or

> techniques, long-range plans, marketing strategies, territory listings, profitability analysis, new product developments, information and records relating to transactions between the Company and any Company customer (such as types and quantities and part numbers of materials purchased by a customer, dates of purchases by a customer and prices paid by a customer) and any analysis thereof, information and records relating to transactions between the Company and any supplier (such as types and quantities of materials sold by a supplier, dates of purchases from a supplier, prices paid to a supplier and supplier techniques) and any analysis thereof, information relating to transactions between the Company and any distributor, and any analysis thereof, and information about other aspects of its business, reports, tests, research, development, product design, processes, inventions and other information to the extent such information does not meet the definition of a Trade Secret, so long as it is treated as confidential by the Company. Confidential Information does not include information already known to the Employee prior to his or her employment with the Company, information that is in the public domain through no wrongful act of the Employee, or information that was received by the Employee from a third party who was free to disclose it.

¶69. It is undisputed that Mr. Wilder had access to Confidential Information, as that term is defined above. SBS has also established to this Court's satisfaction that an injunction is necessary to protect SBS and, absent injunctive relief, SBS faces a substantial risk of irreparable harm based upon Mr. Wilder's possession and potential disclosure of the Confidential Information to PPE or others.

¶70. Mr. Wilder contends that SBS knew of and approved his use of Confidential Information to obtain business through PPE. He argues that, to qualify as a trade secret under Wisconsin law, the claimed trade secret—that is, the proprietary information—must be the "subject of efforts to maintain its secrecy that are reasonable under the circumstances." Wis. Stat. § 134.90(1)(c)2. "[F]ailure to take reasonable steps to prevent gratuitous disclosure" of the alleged trade secret forfeits any protection. *Bondpro Corp. v. Siemens Power Generation, Inc.,* 463 F.3d 702, 708 (7th Cir. 2006). Though absolute secrecy is not required, *see Rockwell*

Graphics Sys., Inc. v. DEV Indus., Inc., 925 F.2d 174, 177 (7th Cir. 1991), "one who claims a trade secret must exercise eternal vigilance in protecting its confidentiality." *RTE Corp. v. Coatings, Inc.,* 84 Wis. 2d 105, 118, 267 N.W.2d 226, 233 (Wis. 1978). Even "[t]he existence of a confidentiality agreement is not always enough." *ECT Int'l, Inc. v. Zwerlein,* 228 Wis. 2d 343, 597 N.W.2d 479, 484 (Wis. App. 1999).

¶71. Specifically, Mr. Wilder points to the transaction in 2016 involving Mr. Mueller and the use of PPE to complete that transaction. Mr. Wilder, however, equates protection of trade secrets under Wisconsin's Uniform Trade Secrets Act ("WUTSA"), Wis. Stat. § 134.90, with the protection of confidential business information under a confidentiality agreement. To be sure, there is overlap between what constitutes a trade secret under WUTSA and information protected under a confidentiality agreement, but their protection under the law is not identical. *See, e.g., Dental Health Prods. v. Ringo,* 2011 U.S. Dist. LEXIS 95802 at *11-14 (E.D. Wis. August 24, 2011).

¶72. Paragraph 7 of the Confidentiality Agreement provides "No delay or failure by the Company in exercising any right under this Agreement shall constitute a waiver of that or any other right." Simply because Mr. Mueller may have suggested that Mr. Wilder use PPE to purchase product from SBSI and then sell it to JP Cullen/Evonik, a former SBS client, does not constitute a waiver of SBS's right to enforce the obligations in the Confidentiality Agreement.

¶73. SBS has presented evidence that, on several occasions prior to his termination in July 2017, Mr. Wilder forwarded quotes and other confidential information to his PPE email address. Mr. Wilder testified that he copied SBS business information and sent it to his PPE email address because the SBS server shuts down in the evening, and he wanted to be able to

work on the documents after the server was down. Absent additional information, the Court finds this explanation at best suspicious and at worst incredible.

¶74. SBS also presented evidence that after termination, Mr. Wilder returned to SBS a banker's box of old customer files, starting with the letter "P" and continuing to the end of the alphabet. Mr. Wilder testified that, when he began working from home, he took old customer files that SBS had told him to destroy in order to go through them at his leisure looking for any leads before he ultimately destroyed them. He testified that in the year or so since he had the customer files, he had made his way from "A" to "P", and had destroyed what he had reviewed. All that remained as of July 2017 were the banker's box of files he returned. Likewise, the Court finds this explanation suspicious.

¶75. In addition, when SBS requested that Mr. Wilder return his smartphone to SBS, Mr. Wilder declined because he had personal information on the phone that he did not want to share with SBS. In his affidavit, Mr. Wilder testified that in addition to purely personal information, there was also information relating to PPE on the phone. Despite specific instructions not to delete any non-personal information from the phone, he reset the phone to factory settings and cleared it of all information.

¶76. Finally, the Court is concerned about the voicemail message left for Mr. Wilder at the number on the SBS phone he returned. That message, apparently from a former customer of SBS named Gary, suggested that, contrary to the testimony of Mr. Wilder, he had been in contact with Mr. Wilder about the case and suggested potential "explanations" for the email exchanges the customer had with Mr. Wilder while Mr. Wilder was employed with SBS.

¶77. These facts, and the others found by the Court, convince the Court that equity demands a temporary injunction preventing the substantial risk of irreparable harm to SBS if Mr.

Wilder were to use or disclose SBS's Confidential Information during the pendency of this litigation.

¶78. At the hearing, the Court inquired specifically about whether customer contact information Mr. Wilder maintains on his new smartphone (i.e. "Contacts") or elsewhere constitutes Confidential Information he is precluded from using or disclosing under the Confidentiality Agreement. Confidential Information refers to "*the Company's lists* of Company Customers, Suppliers and Distributors," (emphasis added) and the Court will interpret that language strictly, against the employer and in favor of the employee. Restrictive covenants "are not to be construed to extend beyond their proper import or farther than the contract language absolutely requires." *Star Direct*, ¶19. "[S]o long as a departing employee takes with him no more than his experience and intellectual development that has ensued while being trained by another, and no trade secrets or processes are wrongfully appropriated, the law affords no recourse." *Gary Van Zeeland Talent, Inc. v. Sandas*, 84 Wis. 2d 202, 214, 267 N.W.2d 242 (1978). As a general matter, customer lists, to the extent they even exist in the modern era, are on the outer edge of protectable confidential business information, *cf. Corroon & Black-Rutters & Roberts, Inc. v. Hosch*, 109 Wis.2d 290, 296, 325 N.W.2d 883 (Wis. 1982), and the Court concludes that contacts from a smartphone—our modern day rolodex—are not deserving of protection in this case.

¶79. For the foregoing reasons, the motion for temporary injunction is GRANTED in part and DENIED in part.

Temporary Injunction

¶80. Mr. Wilder is enjoined and shall immediately cease and desist from using or disclosing, either directly or indirectly, any Confidential Information, as that term is defined in

the Confidentiality Agreement. Mr. Wilder is ordered to return to SBS the original and all copies of Confidential Information, including any SBS files, information, or property within his custody or control. Mr. Wilder is enjoined from deleting or modifying any digital information within his custody or control during the pendency of this case. The Court will address the amount of the bond required by Wis. Stat. § 813.06 at the upcoming hearing.

Dated this 18th day of September, 2017.

BY THE COURT:
/s/ Michael J. Aprahamian
Circuit Court Judge