UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

INTERNATIONAL BUSINESS MACHINES CORPORATION,	:	
Plaintiff,	:	**Civil Action No. 11-cv-00399 (LAP)**
v.	:	
GIOVANNI G. VISENTIN,	:	
Defendant.	:	

DEFENDANT GIOVANNI VISENTIN'S POST-HEARING
PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

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I. INTRODUCTION

During four days of testimony, Plaintiff International Business Machines Corporation ("IBM") failed to identify any specific trade secrets or confidential information that Defendant Giovanni Visentin is likely to recall, or that he will be in a position to use in his new and very different job at Hewlett-Packard ("HP"). Mr. Visentin's former boss at IBM, Patrick Kerin, spoke in generalities about strategies and confidential client information, but faltered when challenged for specifics. Mr. Kerin and IBM's other witness, Emilie McCabe, referred to dozens of documents with facts and figures that came across Mr. Visentin's desk and email inbox, but failed to explain how the information would have any value to Mr. Visentin in his position as General Manager of HP's Enterprise Services ("ES") Division for the Americas.

By way of contrast, Mr. Visentin offered uncontradicted testimony establishing that he acted as the business manager of people and processes in IBM's Integrated Technology Services ("ITS") division. Mr. Visentin had no direct involvement in the tasks that he delegated to his teams: assessing clients' needs for IBM services, pricing, designing, selling, and delivering those services. Similarly, at HP, he will have managerial oversight of teams of consultants and specialists, with no need to use any of IBM's confidential information.

IBM effectively conceded the improper purpose behind its program of non-competition agreements. The program is intended to prevent employees from leaving to work elsewhere in the technology field. The architect of IBM's program, James Randall MacDonald, admitted that the restrictive covenant would prevent IBM employees from working for hundreds of competitors throughout the world, regardless of any supposed risk of disclosure of IBM's trade secrets. Indeed, IBM's non-competition agreement would prevent Mr. Visentin from working in HP's business selling personal laptops and printers, even though that business does not compete with IBM; it would also prevent Mr. Visentin from working for an HP contractor or consultant,

or even buying a share of HP stock as a passive investor. Coupled with a punitive "clawback" provision that would force Mr. Visentin to pay back income that he received in the last two years, IBM's form of non-competition agreement is designed to prevent employees from leaving the company, rather than to protect trade secrets.

HP and Mr. Visentin scoped Mr. Visentin's new position to ensure that it would not encroach on IBM's legitimate interests. IBM, however, has offered little more than a half-hearted swipe at three of the four portions of Mr. Visentin's job at HP. It introduced no evidence of a single customer, pricing arrangement or prospect at risk in Latin America, and it presented no evidence of any specific trade secret or confidential information to which Mr. Visentin had access in the business process outsourcing or applications portions of IBM's business. This is not surprising, given that Mr. Visentin had no responsibility for such operations at IBM.

The only real battleground in this case seems to be in the Information Technology Outsourcing ("ITO") portion of Mr. Visentin's new job, but Mr. Visentin's job at HP differs vastly from the business that Mr. Visentin managed at IBM. At HP, he will oversee large outsourcing contracts of the kind that he saw only tangentially while managing the teams that generated 5,000 to 9,000 new ITS deals per quarter. Although IBM takes great pains to show overlap in some of the offerings provided by IBM and HP, it has failed to show how similar offerings translate into a risk of the disclosure of trade secrets. Mr. Visentin will be limited to working with existing HP accounts already under contract. If asked by existing clients about expansion into new areas of service, he will refer them to account executives and delivery specialists on his team. This restriction in the ITO portion of Mr. Visentin's job goes far beyond any protection that IBM needs, especially given Mr. Visentin's lack of knowledge of specific information that could be used to IBM's detriment.

Meanwhile, recognizing that its form agreement goes too far, IBM invites this Court to draft a narrower restriction on Mr. Visentin's activities. This is patently improper, not only because of the illegitimate purpose behind IBM's form agreement, but also because there are no guideposts by which the Court can rewrite the document. IBM is not asking the Court to shorten the duration or narrow the geographic reach, but to wade through the anticipated responsibilities that Mr. Visentin will have at HP and then strike those that concern IBM. That kind of invitation to creative writing is beyond the role of ordinary "blue penciling," and is foreclosed by IBM's failure to demonstrate a proper purpose behind its overbroad non-competition agreements.

II. PROPOSED FINDINGS OF FACT

A. IBM's Non-Competition Program

1. IBM requires over 1,700 employees to sign non-competition agreements. (Tr. 577:11-14). More than 300 IBM employees are required to sign a form non-competition agreement identical to the one signed by Mr. Visentin. (Tr. 577:19-21). The terms of these agreements are non-negotiable and never modified. (Tr. 577:22-578:5; 592:24-593:7).

2. The form non-competition agreement, if enforced, would prevent IBM employees from taking *any* job with *any* of IBM's hundreds of competitors anywhere in the world. (Tr. 578:6-582:24). There are no reasonable limitations on the scope of the non-competition provision, such as geographic constraints, restrictions to comparable duties or carve-outs to allow employment in portions of a business that do not compete with IBM. *Id.* Remarkably, IBM's Senior Vice President of Human Resources, Mr. MacDonald, testified that the agreement would even prevent a former employee from purchasing two shares of HP stock. (Tr. 582:25-583:16).

3. Mr. MacDonald also testified that IBM views its non-competition agreements as "retention devices." (Tr. 576:6-15). IBM adopted the program primarily to dissuade employees

from leaving their employment, without regard to whether those employees would need to use IBM trade secrets or confidential information in their new jobs. (Tr. 575:11-18).

4. IBM's non-competition program works in tandem with a "clawback" mechanism. (Tr. 589:22-24). If an employee violates his or her non-competition agreement, IBM can choose to invoke the clawback mechanism and cancel all of that employee's unvested and unexercised equity grants. (Tr. 590:16-591:13). IBM also uses the clawback to force employees to pay IBM back for the equity that they have already exercised and cashed-out within the last two years. (Tr. 591:14-591:23). As a result, the clawback can make it extremely expensive or even impossible for an employee to leave IBM and begin working for a competitor. (Tr. 592:5-23).

5. The non-competition agreements and clawback provisions enable IBM to pay less than market compensation to its executives. At Mr. Visentin's last compensation review in April 2010, his boss, Mr. Kerin, told him that Mr. Visentin had no negotiating power with respect to his compensation at IBM, and that IBM would have to pay him more if it were hiring him from another employer. (Tr. 374:24-375:12).

B. Mr. Visentin's Employment at IBM

6. In September 2007, Mr. Visentin became General Manager of IBM's ITS business. (Tr. 267:10-13). ITS is part of IBM's General Technology Services ("GTS") division. In addition to ITS, GTS has three other business segments: Strategic Outsourcing ("SO"), Maintenance, and Global Processing Services. (Tr. 20:22-22:15).

7. The ITS business at IBM enters into project-based deals involving a single type of service in one of nine different services lines, including, for example, security services, data center services, business continuity and recovery services ("BCRS") and cloud computing services. (Tr. 34:21-36:4; 455:16-25; 529:21-530:20; Kerin Decl. ¶¶ 13-15). ITS deals are much smaller than the infrastructure outsourcing deals generated in the SO group, which typically

cover five year time periods and generate tens or hundreds of millions of dollars of revenue for IBM. (Tr. 141:1-5; 349:5-24; Kerin Decl. ¶¶ 13-14; Visentin Decl. ¶¶ 15-17).

8. When Mr. Visentin became the General Manager of ITS, he had general knowledge of just one of the nine service lines offered by ITS. (Tr. 349:25-351:3). The ITS business generates approximately 5,000 to 9,000 deals per quarter and total revenue of $2.5 billion annually. (Tr. 349:13-24; 427:20-21; 455:16-18). Mr. Visentin had eight direct reports who were responsible for various aspects of the ITS business. (Tr. 350:3-4; 374:4).

9. IBM's ITS and SO business segments offer some overlapping services, but they are quite different in scope and function. SO designs, implements and runs clients' technology infrastructure, including servers, storage, or networks, under long-term contracts. (Tr. 16:3-17:23; Kerin Decl. ¶ 13). As Mr. Visentin explained, the SO business line plays a role analogous to a general contractor hired to build a house; the contractor assesses the client's needs, designs a plan and hires subcontractors to do the work. (Tr. 352:17-353:22). ITS, on the other hand, is more like the electrician working on the larger job. *Id.* It acts as a subcontractor, providing project-based services as part of a broader bid coordinated by the SO "general contractor," or it provides narrowly scoped services directly to a "homeowner" client. *Id.*

10. As the ITS General Manager, Mr. Visentin was not responsible for IBM's SO deals. (Tr. 426:20-427:3). Indeed, five SO General Managers in the United States and one in Canada reported directly to Mr. Kerin; Mr. Visentin was not one of these six individuals. (Tr. 350:5-12).

11. Mr. Visentin's ITS teams sometimes participated in SO bids if an SO team requested that ITS bid on a component of a SO deal. (Fr. 352:11-23). Both Mr. Kerin and Mr. Visentin used a chart to explain that ITS and SO deals involved four basic steps: assessment of the client's need for a service, designing a plan to address those needs, implementing that plan and, in some

scenarios, running the service purchased by the client. (Ex. 196 ("Assess-Design-Implement-Run")). Mr. Visentin explained without contradiction that he was not personally involved in the execution of any of those four steps with respect to ITS deals or ITS components of SO deals. (Tr. 355:10-357:10; 419:10-421:9). Instead, members of Mr. Visentin's ITS team worked on each step of the process. *Id.* These individuals were the "front line" players and specialists who worked five to seven layers below Mr. Visentin in the chain of command. *Id.* Unlike Mr. Visentin, these individuals were mostly designers and architects with technical backgrounds in the information technology and computer science fields, and they operated many layers below Mr. Visentin's level. *Id.* Mr. Visentin, by way of contrast, lacked the technical ability to perform those hands-on functions. (Tr. 419:10-422:23).

12. Pricing of ITS projects as part of SO deals was accomplished by a mechanism known at IBM as a "sausage grinder." (Tr. 353:8-15). The SO team decided the total bid for the SO deal, and then Mr. Kerin or one of his reports told Mr. Visentin's team the actual price for the ITS service component, which often differed from the proposed price. *Id.* ITS components were found in about 30% of SO deals, but usually represented well under 10% of the revenue for such deals, and were not major factors in the overall pricing arrangement. (Tr. 208:11-209:3).

13. To the extent Mr. Visentin got involved in the pricing and development processes at all, he did so as "the stripe," i.e., as an executive level manager who could provide a high-level description of services and then interact with the client if necessary. (Tr. 421:23-422:23). Mr. Visentin did not have to approve the price of an ITS component of SO deals unless it was expected to yield a "negative profit" for his group. (Tr. 353:23-354:17; 423:12-424:4). Otherwise, pricing was handled by Mr. Visentin's teams. (Tr. 426:20-427:3). These projects required dozens, hundreds or even thousands of employees of varying technical skills, extensive

hardware and countless other pieces that had to be costed and priced separately before an aggregate price was delivered, and Mr. Visentin was not provided with such underlying information. (Tr. 421:23-424:4; 462:4-427:5). Even had he seen such detailed information, he would be unable to recall it and certainly unable to use it for the benefit of HP.

14. Even if Mr. Visentin could remember the bottom-line "price" of an ITS or SO deal, that information would be useless without knowing in great detail the scope of the contract or project, the number of employees expected to work on it, the duration of the deal, the skills required, the base labor costs assumed from the client, the cost of the hardware and an extraordinary number of variables that Mr. Visentin never knew. (Tr. 462:10-464:17). The documents that IBM displayed in a sealed courtroom did not reveal any of those details about ITS or SO deals.

15. Mr. Visentin does not have technical expertise or know-how that would enable him to design or implement technology-based solutions to client needs. (Tr. 419:3-422:23). For example, although Plaintiffs assert that Mr. Visentin knows unspecified confidential information about IBM's "cloud" services and offerings, Mr. Visentin testified, without contradiction, that he could not even describe the architecture or design of cloud technology. (Tr. 356:10-25). Mr. Visentin was never considered one of the leaders within IBM with respect to cloud, and his name was conspicuously absent from IBM's internal list of 30 or so "Who's Who at Cloud" managers in GTS. (Tr. 190:11-15); (Ex. 18 at 6).

16. Mr. Visentin was not a technical expert or salesperson, but rather a business manager who "focused on process . . . people and execution. [He] had big teams, and they would focus on the technology. [He] run[s] the business. [He's] responsible for getting P&L, for getting profit and loss. Revenue, profit, and signings, that [was his] responsibility." (Tr. 351:5-9).

17. Mr. Visentin did not see actual bid information associated with his teams' deals. (Tr. 423:12-13). Instead, in situations in which he needed to review negative profit deals, he received a one-page summary sheet containing a number for the total labor costs and a number for the total hardware costs associated with the deal. (Tr. 423:13-424:4).

C. Mr. Visentin Was Not Responsible for Latin American ITS Deals

18. For the first year of his tenure as General Manager of ITS, Mr. Visentin was responsible for the Americas, which included North America, Canada and Latin America. (Tr. 357:11-16). He ceased having responsibility for Latin America approximately two years before his resignation. *Id.*

19. During the period in which Mr. Visentin was "responsible" for Latin America, he merely plugged the Latin American number for ITS into his balance sheet. (Tr. 357:17-21). There was a separate Latin American ITS General Manager who actually ran the Latin American ITS business. (Tr. 357:20-21). Indeed, Mr. Visentin never even traveled to Latin America during his tenure at IBM. (Tr. 357:22-24). Moreover, as Mr. Kerin conceded, Mr. Visentin did not receive IBM pipeline information pertaining to Latin America in 2010. (Tr. 172:18-23).

20. IBM did not introduce any documents or other evidence about Latin American clients, pricing or other purportedly confidential information that Mr. Visentin would supposedly know. Although IBM protests in the most general terms that Mr. Visentin's knowledge of its global business strategies would apply anywhere in the world, that assertion rings hollow for at least three reasons. First, it is unsupported by any specifics as to what IBM strategies – the details, as opposed to generalities—Mr. Visentin would need to know to run the Latin American portion of HP's ITO business. Second, it is contrary to the concept, endorsed by both parties, that outsourcing deals are unique and must be designed, implemented and run based on factors unique to the clients. The circumstances of doing a deal in Latin America are obviously quite

different from those in the United States. Third, it is strikingly inconsistent with IBM's approach when it hired an HP manager, Sean Finnan, who had run HP's ITO business in the United Kingdom. IBM merely moved Mr. Finnan to Switzerland for a year or so before sending him back to the U.K. (Tr. 173:19-175:23). That approach hardly comports with IBM's suggestion that geography is irrelevant.

D. Mr. Visentin Was Not Responsible for BPO or Applications at IBM

21. Neither Mr. Visentin nor anyone on his ITS teams had responsibility for applications services. (Tr. 358:18-359:6). There are two separate units at IBM, both outside of ITS and GTS, that are responsible for applications services at IBM; Mr. Visentin did not manage either unit. (Tr. 235:6-236:23).

22. IBM's counsel conceded that Mr. Visentin was not responsible for business process outsourcing at IBM, and Mr. Kerin acknowledged that there was much less of a connection between Mr. Visentin's responsibilities at IBM and business process outsourcing. (Tr. 6:10-12; 168:20-169:12). IBM failed to identify a single document or piece of information that Mr. Visentin had or would now know that would be at risk if he were allowed to oversee HP's BPO and Applications businesses.

E. Mr. Visentin's Employment at HP

23. HP has hired Mr. Visentin to be its Senior Vice President, General Manager, Americas for HP Enterprise Services. He will be responsible for managing the three diverse business segments within HP's ES division: BPO, Applications and ITO. (Exs. 192, 230).

24. At HP, these business segments have the following roles: (a) HP's BPO segment offers business and industry-focused outsourced services for customer relationship management, document processing, finance and administration, and HR and payroll; (b) HP's Applications segment helps organizations plan, develop, integrate and manage custom applications, packaged

software and industry-specific solutions; and (c) HP's ITO segment focuses on companies' IT infrastructure, and includes services for data centers, networking, security, and short-term desk support (or "workplace services"). (Iannotti Decl. ¶ 3).

25. The General Manager and Senior Vice President of Enterprise Services at HP, Tom Iannotti, testified that he hired Mr. Visentin because "he was a process-oriented thinker" and had skills in managing large teams. (Tr. 541:20-25). Mr. Iannotti does not expect Mr. Visentin to have or use "technical knowledge of things like cloud and the various technical products and services offered by HP." (Tr. 544:5-11).

26. Mr. Visentin did not provide any IBM confidential information or trade secrets to HP or its recruiting firm, Heidrick & Struggles ("H&S"), during the interview process. Although IBM has suggested that Mr. Visentin disclosed two pieces of confidential information — the approximate annual revenue of the ITS business and a partial list of some of IBM's larger ITS clients – that information is not confidential. The annual revenue figure was contained in Mr. Visentin's IBM resume, which was provided to clients and disclosed, for example, to students at the University of Arizona at a speaking engagement in 2009. (Tr. 381:19-383:7).

27. Furthermore, the client list Mr. Visentin provided to H&S included nothing but the names of clients (not revenue figures), most of which are well known to HP and the industry. (Tr. 194:8-194:18; Def. Ex. 25). Mr. Visentin provided that list for one stated reason — to allow H&S and HP to assess his non-compete with IBM and determine how to "fence" him off from those clients. (Tr. 377:11-378:23; Def. Ex. 25). IBM cannot seriously contend that this was a breach of a confidentiality obligation, especially since IBM introduced into evidence the email containing the client names and made it part of the public record, rather than attempting to introduce it under seal. (Tr. 343:15-344:25; Def. Ex. 25 and Ex. 216).

28. After discussing the nature of the proposed position at HP, both Mr. Visentin and the primary decision-maker, Mr. Iannotti, determined that it was feasible to structure the HP job so that it was different from Mr. Visentin's previous IBM position in terms of subject area, geographic scope, and level of responsibility. (Tr. 551:10-555:16). Mr. Visentin and Mr. Iannotti acted reasonably to avoid even an appearance of unnecessary overlap and to ameliorate any concerns that IBM might have, even though there was no real risk to IBM's confidential information if Mr. Visentin were to assume the full mantle of responsibility for HP's ITO business. *Id.*

29. HP offered Mr. Visentin a position as Senior Vice President, General Manager, Americas for HP Enterprise Services, and agreed to narrow the job during an appropriate time to minimize overlap with the job that Mr. Visentin performed at IBM. (Tr. 551:10-555:16; Iannotti Decl. ¶¶ 7-11). HP and Mr. Visentin agreed to the following restrictions on Mr. Visentin's duties in an attempt to satisfy IBM:

i. Mr. Visentin will be responsible for the BPO and Applications segments of HP's Enterprise Services business. He did not work in those areas at IBM, and has no confidential information about those facets of IBM's business;

ii. Mr. Visentin will oversee HP's ITO business in the United States and Canada, but only for those existing, installed clients whose contractual arrangements with HP are not up for renewal in the next year;

iii. Mr. Visentin will be completely excluded from working with any client for which he served as the "partner executive" while at IBM through its "Partner Executive Program." This restriction applies worldwide and without regard to business segment; and

iv. Mr. Visentin will be responsible for the full range of ITO services to HP's clients in Mexico and Latin America, because he did not work in those regions since 2009. (Tr. 551:20-555:16; Iannotti Decl. ¶ 8; Ex. 192).

30. The only area of potential overlap between what Mr. Visentin did at IBM and his new duties at HP relates to the services offered by HP's ITO business segment. Recognizing that some of the services offered by these business segments are similar, Mr. Visentin will be limited for a period of time to working with existing HP ITO clients in the United States and Canada. He will not be involved with new or renewal business opportunities within ITO. (Tr. 552:16-22; Ex. 192).

31. IBM's accusation that this limitation is unrealistic or unworkable ignores the nature of Mr. Visentin's position as a high-level manager, as opposed to a "front line" salesperson or designer. Mr. Visentin will not be involved in the staffing, architecture, design or pricing of such a potential new opportunity. (Tr. 553:2-555:16). His response to an inquiry from a new client or an existing client seeking to expand its relationship to include new services would be to "land his team" after an initial, very general discussion with that client. (Tr. 422:19-422:23). His team would then:

> [D]o the assessment, the architect, design, the implementation. They go in with their team and they present the whole proposal, because they are the subject matter experts. They are the ones that can talk in detail.

(Tr. 422:8-14). This kind of delegation is precisely how Mr. Visentin ran his business unit at IBM, and it will enable him to stay clear of direct involvement in new or renewal business opportunities within ITO in the United States and Canada. (Tr. 553:2-555:16). Mr. Iannotti, who hired Mr. Visentin and will be his direct superior at IBM, agreed that there would be no need— regardless of the voluntary limitations on his employment— for Mr. Visentin to do

anything more than refer an installed client's questions about an expansion opportunity to the relevant account executive. (Tr. 553:2-555:16).

32. HP offered a position to Mr. Visentin late in the evening of January 18, 2011. Mr. Visentin accepted that offer within an hour and immediately notified IBM. (Tr.299:10-14; Ex. 192).

33. In his resignation letter, Mr. Visentin expressed a desire to leave immediately but offered to remain employed for a reasonable transition period. (Ex. 192). IBM declined, sending a Human Resources employee to Mr. Visentin's house within hours to collect his laptop. Mr. Visentin's resignation, therefore, took effect later in the day on January 19. (Visentin Decl ¶¶ 35-36).

F. Purported IBM Trade Secrets and Confidential Information Known to Mr. Visentin

34. Mr. Visentin offered unrebutted testimony that, after his resignation from IBM, he did not keep a single IBM document in any format, including electronic documents. (Tr. 542:19-22). In fact, HP has insisted and Mr. Visentin has agreed that he will not use or disclose IBM's confidential information, including pipeline information. (Tr. 555:25-556:8); (Ex. 230 at 5). As Mr. Kerin conceded, if Mr. Visentin refrains from talking to IBM SO and ITS clients about new opportunities and does not disclose existing IBM deals to HP, there is no harm to IBM. (Tr. 199:5-200:5).

35. IBM is concerned about purported trade secrets and confidential information that Mr. Visentin remembers, as opposed to details that are contained in documents no longer available to Mr. Visentin. Mr. Kerin admitted that Mr. Visentin reviewed information about thousands of deals in his position as the head of ITS, and he would not expect Mr. Visentin to remember "numbers, prices and data points." (Tr. 179:6-8).

36. Mr. Kerin was asked repeatedly to provide specific examples of IBM confidential information that Mr. Visentin could reasonably be expected to remember and that would pose a threat to IBM if disclosed to HP. (Tr. 182:10-184:1; 185:1-190:5). Mr. Kerin failed or was unable to provide such examples, and instead listed several general areas in which he claimed Mr. Visentin was aware of IBM trade secrets or confidential information. *Id.*

i. I&VT Meetings: Mr. Kerin claimed that Mr. Visentin possesses confidential IBM information that he learned by attending I&VT meetings in 2009 and 2010. As Mr. Kerin admitted, however, Mr. Visentin resigned prior to the 2011 I&VT meeting, and had not attended an I&VT meeting since January of 2010, more than a year before he resigned. (Tr. 56:23-58:7).[1] Further, Mr. MacDonald, IBM's Senior Vice President for Human Resources, admitted that from 2005 through 2009, some members of the I&VT were not required to sign non-competes, despite being privy to precisely the same purported trade secrets and confidential information to which Mr. Visentin was exposed. (Tr. 585:15-586:4). None of IBM's witnesses identified any specific information shared with I&VT members in January 2010 that would be harmful if disclosed to HP in 2011.

ii. I&VT TaskForce on Business Analytics: In 2010, Mr. Visentin participated in a Task Force that examined IBM's Business Analytics initiative. Mr. Kerin admitted, however, that HP did not compete in the Business Analytics area, and that Mr. Visentin would not need to know anything about Business Analytics at IBM in order to perform the position he accepted at HP. (Tr. 181:2-22). Further, Mr. Visentin offered unrebutted testimony that he did not possess

[1] Had Mr. Visentin had left IBM immediately after the January 2010 I&VT meeting, 12 months would already have elapsed from his resignation and he would now be free to work at HP without the encumbrances of a non-competition agreement. There is no basis to suggest, therefore, that information disclosed more than a year ago should prevent Mr. Visentin from working at HP.

any documents relating to his work on the Business Analytics task force, and that he did not have access to any such documents. (Tr. 374:17-23).

iii. Cloud Computing: Mr. Visentin has no technical knowledge of cloud computing that would be useful to HP. HP has its own cloud offerings and competes robustly with IBM. Moreover, Mr. Kerin admitted that Mr. Visentin was not even one of his top cloud computing employees. (Tr. 190:4-24). While Mr. Kerin claimed that Mr. Visentin would know IBM's "public cloud pricing," he admitted that he himself did not know that pricing off the top of his head, and that he did not know whether Mr. Visentin would be able to remember any such pricing information. (Tr. 185:2-15). Mr. Visentin testified that he could not recall any pricing information for any of IBM's services, including cloud offerings. (Tr. 462:10-16). When pressed, Mr. Kerin was unable to identify any specific information regarding cloud computing in Mr. Visentin's possession that could cause competitive harm to IBM. (Tr. 185:16-190:5).

iv. Client Pipelines: Mr. Visentin was ultimately responsible for the ITS pipeline, which reflected thousands of deals every quarter. (Tr. 349:13-24). Mr. Visentin also received high level and generalized information about the SO pipeline at management meetings, but the reports distributed to attendees contained none of the detailed information that would be useful to competitors, such as specifications, contract duration, staffing solutions, pricing mechanisms, etc. In fact, most large SO deals were either single source arrangements (mostly renewals) where competitive bids were not being considered, or the product of detailed requests for proposals ("RFPs") that generated responses consisting of hundreds of pages. (Tr. 195:10-203:9). Mr. Visentin did not receive RFP responses and would not know the details of such proposals. (Tr. 201:25-202:11). As for the high level information about SO pipelines, Mr. Kerin conceded that HP is usually a bidder on such RFPs anyway, so the disclosure of the identity of

the potential client is not much of a revelation. (Tr. 200:21-25). Finally, and most importantly, Mr. Kerin admitted that even if a prospective client is not already known to HP, Mr. Visentin's generalized knowledge of that opportunity poses no threat to IBM if he simply refrains from disclosing that knowledge to HP. (Tr. 198:4-200:5).

v. Pricing of Deals: The pricing of outsourcing deals and technology projects is a complicated process, and the final price attached to a project results from a detailed analysis of the scope of work and the development of a proposed solution that is unique to each client. (Tr. 201:21-202:15; 209:25-210:21; 557:10-558:9). Mr. Visentin testified that he had no responsibility for pricing SO deals, and Mr. Kerin admitted that this was true. (Tr. 426:20-427:4; 208:3-10). Mr. Visentin also provided unrebutted testimony that he would be unable to price even a small ITS project, let alone a large SO deal. (Tr. 414:25-421:9). Indeed, Mr. Visentin testified that he does not know the 180 offerings sold by ITS and could not possibly remember the cost or price of those offerings. (Tr. 462:10-16). Moreover, Mr. Visentin does not remember the pricing margin IBM sought on its deals and, even if he could, the margin is based on the overall business, which is made up of thousands of deals. (Tr. 462:17-464:18). ITS priced its projects higher on some deals and lower on others, often depending on how the projects were packaged as part of much larger SO deals. "So even if [he] would remember the fact that BCRS, they want to do this margin, it won't help you in the deal-to-deal combat with the client." (Tr. 463:13-464:7). Mr. Iannotti also testified that Mr. Visentin would have no responsibility for pricing at HP, and that HP employs a specialized pricing team to price ITO projects. (Tr. 555:1-3; 557:10-558:9).

vi. Troubled IBM Clients: Mr. Kerin claimed that Mr. Visentin possesses confidential IBM information regarding troubled clients. (Tr. 152:9-153:2). When questioned

about what information Mr. Visentin would remember about troubled clients, however, Mr. Kerin admitted that (1) some of IBM's troubles with clients are publicly known and reported in the media, or already known to HP through existing relationships with those clients (Tr. 214:10-215:3; 220:4-222:8); and (2) most of IBM's troubled clients are in the early stages of long-term contracts with IBM that are not up for renewal or competitive bidding in the next 12 months (Tr. 222:9-14). Mr. Visentin testified that he was only aware of ITS's troubled clients at a general, service product line level. (Tr. 443:24-444:24). There was no testimony to suggest that Mr. Visentin would disclose information regarding troubled IBM clients to HP, let alone that he would be compelled to disclose such information by virtue of his position at HP.

vii. Strategies to Attack HP: Mr. Kerin claimed that Mr. Visentin possesses confidential IBM knowledge regarding its strategies to "attack" HP, but a review of the documents on which Mr. Kerin relied shows that these strategies are based on public information and information shared by clients that chose HP over IBM; presumably, that information is available to HP as well. (Ex. 10 at 7; Ex. 23 at 5-6). These documents establish only that HP and IBM already have a great deal of competitive intelligence regarding one another, and that such information is readily available in the marketplace for technology services and outsourcing.

37. Emilie McCabe, IBM's head of global sales for SO and ITS contended that Mr. Visentin possessed the following types of IBM confidential information: (1) knowledge of a potential IBM acquisition; and (2) knowledge of a new cloud offering in development.

i. Knowledge of Potential IBM Acquisition: Ms. McCabe claimed that Mr. Visentin possesses confidential IBM knowledge regarding a potential IBM acquisition target. (Tr. 517:22-518:11). Mr. Visentin testified, however, that he was already the subject of a non-disclosure agreement with regard to this acquisition, and that he would never reveal the identity

of the acquisition to HP. (Tr. 474:4-475:15). IBM did not present any evidence to suggest that Mr. Visentin would disclose any information regarding IBM's potential acquisition, let alone that he would inevitably disclose such information. Mr. Visentin was not responsible for making acquisitions while at IBM, and he will not have any responsibility for making acquisitions at HP.

ii. Knowledge of a New Cloud Offering: Ms. McCabe also claimed that Mr. Visentin possesses confidential IBM knowledge regarding a new cloud product offering. (Tr. 512:14-513:15). Ms. McCabe failed, however, to provide any details about this new offering. (Tr. 512:14-517:13). She similarly failed to establish what knowledge Mr. Visentin would have regarding the offering, stating only that he had "exposure" to it and was "on the distribution." (Tr. 513:13-23; 516:23-517:2). Further, Ms. McCabe offered only speculative and generalized testimony regarding what competitive harm, if any, IBM would suffer if information regarding the new cloud product offering became known to a competitor. (Tr. 515:23-516:22; 517:3-13). Ms. McCabe did not offer any testimony to suggest that Mr. Visentin would need to use information about this new offering in his job at HP. By contrast, Mr. Visentin testified that he: (1) could not even describe the architecture or design of cloud (Tr. 356:10-13); and (2) has never discussed cloud with anyone at HP. (Tr. 334:23-335:8).

38. IBM has not advanced any testimony or evidence to suggest that Mr. Visentin has actually misappropriated any confidential information from IBM, or that he is likely to disclose confidential IBM information or trade secrets in his new position at HP.

G. Balancing of the Hardships

39. Mr. Visentin presented unrebutted testimony that being benched for a year would cause serious harm to his career. (Tr. 392:20-393:12). If he is enjoined from working at HP for any period, Mr. Visentin would not be guaranteed his same position at when the injunction expires. Even if HP offers him another position at the same level, it could be a position with which he

was not familiar and to which he was not well suited. (Tr. 392:20-393:12). Moreover, Mr. Visentin has a two-year contract with HP; being put on the side for any of that period would leave him less time to prove himself and less time to ensure that he has a future at HP. This would impact him professionally and personally; as Mr. Visentin testified, he has a large family (with three children and two on the way) and will need to work for many years in the future. (Tr. 392:20-393:12).

III. PROPOSED CONCLUSIONS OF LAW

A. IBM's Non-Competition Agreement Is Unenforceable Because It Is Overbroad and Anti-Competitive

1. New York courts refuse to enforce restrictive covenants that are not reasonably limited in scope and necessary to protect the employer from unfair competition. *See Geritrex Corp. v. DermaRite Indus., LLC*, 910 F. Supp. 955, 959 (S.D.N.Y. 1996); *Pilot Comms., LLC v. Corlett*, 665 N.Y.S.2d 377, 377-78 (N.Y. App. 1997). IBM's form non-competition agreement purports to prevent employees from working for any of IBM's hundreds of competitors in any capacity, anywhere in the world, and thus is far broader than necessary to protect IBM's legitimate interests.

2. Coupled with an overbroad and punitive "clawback" provision in the Long Term Performance Plan for senior executives, the non-competition program is designed primarily to prevent employees from leaving and working in their chosen fields, rather than to enforce a legitimate interest in protecting trade secret and confidential information. The agreements at issue here contain none of the hallmarks and safeguards that would indicate a proper purpose.

3. New York courts will not modify or "blue pencil" the terms of non-competition agreements that are the product of such overreaching, especially when such modifications would require a rewriting of the document, as opposed to a mere limitation of geography or temporal

scope. *See Leon M. Reimer & Co., P.C. v. Cipolla*, 929 F. Supp. 154, 160 (S.D.N.Y. 1996) (holding "infirmities of [restrictive covenant] are simply too patent for . . . restructuring"); *AM Media Comm. Group v. Kilgallen*, 261 F. Supp. 2d. 258, 263 (S.D.N.Y. 2003) (refusing to exercise equitable powers to "blue pencil" because "the Contract as a whole overreaches"); *Scott, Stackrow & Co., C.P.A.'s P.C. v. Skavina*, 780 N.Y.S.2d 675 677-78 (N.Y. App. Div. 2004). Under New York law, a court may not "blue pencil" a restrictive covenant unless the employer first proves "an absence of overreaching, coercive use of dominant bargaining power, or other anti-competitive misconduct" and that it has "in good faith sought to protect a legitimate business interest, consistent with reasonable standards of fair dealing." *BDO Seidman v. Hirshberg*, 712 N.E.2d 1220, 1226 (N.Y. 1999).

4. IBM has not met its burden under *BDO Seidman*. The IBM form of non-competition agreement signed by Mr. Visentin is overbroad, anti-competitive, and was forced on Mr. Visentin and hundreds of other employees through IBM's dominant bargaining power. It does not represent a good faith attempt to protect a legitimate business interest, and this Court will therefore refuse to modify the non-competition agreement to narrow its scope and render it enforceable under New York law. *BDO Seidman v. Hirshberg*, 712 N.E.2d 1220, 1226 (N.Y. 1999).

B. <u>IBM Has Failed To Demonstrate Imminent and Irreparable Harm</u>

5. To establish irreparable harm, IBM "must demonstrate that absent a preliminary injunction [it] will suffer 'an injury that is neither remote nor speculative, but actual and imminent.'" *Freedom Holdings, Inc. v. Spitzer*, 408 F.3d 112, 114 (2d Cir. 2005) (quoting *Rodriguez v. DeBuono*, 175 F.3d 227, 233 (2d Cir. 1999)); *see also EarthWeb, Inc. v. Schlack*, 71 F. Supp. 2d 299, 308 (S.D.N.Y. 1999) (explaining that if the irreparable harm identified is "remote, speculative, or a mere possibility, the motion must be denied"). "The mere possibility

of harm is not sufficient: the harm must be imminent and the movant must show it is likely to suffer irreparable harm if equitable relief is denied." *EarthWeb*, 71 F. Supp. 2d at 308. "In the absence of a showing of irreparable harm, a motion for a preliminary injunction should be denied." *Rodriguez*, 175 F.3d at 234 (internal citations omitted).

6. IBM has failed to meet its burden of demonstrating that it will suffer imminent and irreparable harm if Mr. Visentin is allowed to take his new position at HP. IBM has offered only generalities rather than probative facts to support its request for extraordinary relief. Its witnesses, Mr. Kerin and Ms. McCabe, failed to provide specific examples of confidential or trade secret information that would actually be used to IBM's detriment if Mr. Visentin were allowed to assume his new position at HP. IBM's reliance on documents that Mr. Visentin no longer has, and its reference to generalized but unspecified strategies business methods and plans, do not establish the required element of irreparable harm. IBM's evidence is wholly speculative and therefore insufficient to prove that IBM will suffer an "actual and imminent" injury if Mr. Visentin is allowed to work at HP. *Freedom Holdings, Inc.*, 408 F.3d at 114.

7. IBM similarly has failed to establish that Mr. Visentin will "inevitably disclose" what little confidential IBM information he actually remembers – a specific potential acquisition, the broad contours of a new cloud offering, and some very general, high level client pipeline information. IBM's representatives have admitted that any potential harm to IBM can be avoided if Mr. Visentin simply does not disclose this type of confidential information. Mr. Visentin is already bound not to disclose such information by his confidentiality agreement and as a matter of law, and IBM has not presented any evidence to suggest that Mr. Visentin will not honor those obligations.

8. In New York, courts hold that "[a]bsent evidence of actual misappropriation by an employee, the doctrine [of inevitable disclosure] should be applied in the rarest of cases." *See EarthWeb*, 71 F. Supp. 2d at 310 ("[T]he inevitable disclosure doctrine treads an exceedingly narrow path through judicially disfavored territory."). IBM has not presented any evidence of misappropriation, and no rare and special circumstance exists such that the doctrine of inevitable disclosure should be applied to this case. Accordingly, this Court refuses to apply the doctrine of inevitable disclosure.

C. IBM Has Failed To Demonstrate a Likelihood of Success on the Merits

9. As stated above, IBM's non-competition agreement is unenforceable as written, and thus would have to be "blue penciled" by this Court in order to be enforced.

10. This Court will not attempt to "blue pencil" the non-competition agreement because IBM has not demonstrated that *any* restrictive covenant is necessary to protect its legitimate interests in this case. This Court enforces restrictive covenants only "to the extent that the covenant is reasonable in time and area, necessary to protect the employer's legitimate interests, not harmful to the general public and not unreasonably burdensome to the employee." *AM Media Comm. Group v. Kilgallen*, 261 F. Supp. 2d 258, 262 (S.D.N.Y. 2003) (internal quotations omitted). A court will consider whether a non-competition agreement is reasonable in its scope only after determining that it is necessary to protect against "unfair and illegal" conduct and not merely to insulate the employer from competition. *See Am. Inst. of Chem. Eng'rs*, 682 F.2d at 387.

11. This Court declines IBM's invitation to engage in a drafting exercise that would parse through Mr. Visentin's proposed duties and responsibilities to search for areas of overlap at IBM. IBM has maintained its overbroad non-competition program for over five years. If IBM were seeking only to protect its trade secrets, it easily could have drafted a more narrowly crafted restriction to achieve a legitimate objective, as other employers have done.

12. If this Court were simply to rewrite a restrictive covenant as broad as the one imposed by IBM on hundreds of employees, it would encourage employers in New York to overreach just as drastically as IBM has done. This would dissuade employees from working in their chosen fields, erect barriers to fair competition and enable employers to underpay employees whose ability to work elsewhere would be severely constrained. Employers may adopt reasonable non-competition agreements, but it would violate public policy to allow such agreements to be written as broadly as IBM has done and then rely on courts to do the real drafting work.

13. Mr. Visentin has offered uncontradicted testimony that he is bound by a duty of confidentiality to IBM, and that he would therefore not disclose IBM's confidential information to HP. IBM has introduced no contrary evidence suggesting that its confidential information is genuinely at risk, and, therefore, it cannot establish a likelihood of success on the merits in its attempt to restrain lawful competition. *See SG Cowen Securities Corp. v. Messih*, 224 F.3d 79, 84 (2d Cir. 2000) (upholding district court's refusal to enforce non-competition agreement where employee "consented to being enjoined from divulging [his former employer's] trade secrets or other confidential information, and from soliciting any client he had brought to [his former employer]").

14. IBM relies on several cases in which non-competition agreements were enforced, but those cases are do not support its request for relief. For example, in *IBM v. Papermaster*, No. 08-cv-9078, 2008 WL 4974508 (S.D.N.Y. Nov. 21, 2008), IBM's form of agreement was enforced without any challenge to, or discussion of, the *BDO Seidman* issue of "blue penciling." Furthermore, the employee who was enjoined from working for Apple was a Vice President with highly technical expertise and knowledge of IBM's "power architecture" trade secrets, and he was recruited specifically to manage the development of consumer electronics products for a

competitor in the field of microprocessor technology. The court described Papermaster as IBM's "top expert in the development and application" of the technology at issue. Those circumstances bear no relation to this case, in which Mr. Visentin has a much more generalized business knowledge and no specific knowledge of technical trade secrets.

15. Similarly, IBM's reliance on *Estee Lauder Companies v. Batra,* 430 F. Supp. 2d 158 (S.D.N.Y. 2006) is misplaced. Although in *Estee Lauder,* this Court rejected an argument that the non-competition agreement was overbroad and intended solely to protect management talent, it did so based on a very different factual record. First, the agreement in that case was narrower, and prohibited employment only in a position where the employee could use confidential information to harm his former employer's business. Second, the defendant in *Estee Lauder,* a general brand manager, had been responsible for developing marketing strategies and ideas for the launch of new consumer products with specific and uniform costs and margin, unlike IBM's ITS and SO offerings, which are uniquely tailored to each client's needs. Third, the defendant in *Estee Lauder* acted disingenuously by deliberately misleading his employer, inducing another senior manager to breach her duty of loyalty by assisting him in preparing to compete, and even working for the new company while still employed by the plaintiff. None of those facts are present in the instant case.

D. IBM Cannot Establish That the Balance of Equities Tips in Its Favor

16. Absent a clear and substantial likelihood of success on the merits, IBM must show that the balance of hardships tip "*decidedly* in [its] favor." *Doninger v. Niehoff*, 527 F.3d 41, 47 (2d Cir. 2008) (emphasis added). IBM has failed to satisfy that burden.

17. First, IBM has failed to show that it will actually suffer any harm if Mr. Visentin begins working for HP in his carefully scoped position. IBM has not identified any trade secrets or confidential information that Mr. Visentin would inevitably disclose, and has failed to provide

any evidence that Mr. Visentin will not abide by his duty of confidentiality to IBM.

18. Second, Mr. Visentin has established that he will suffer irreparable harm to his career if he is forced to "sit on the sidelines" for a year. Being unable to work in his relevant industry for a year will severely hamper Mr. Visentin's employment prospects. This hardship must not be overlooked. *See IBM v. Johnson*, 629 F. Supp. 2d 321, 336 (S.D.N.Y. 2009) ("[F]orcing Mr. Johnson, a 55-year old man who is at the peak of his career, to abstain from plying his trade for a year would cause him not insubstantial harm . . . The damage to Mr. Johnson's career and the risk that he will be sentenced to an early retirement, especially during these volatile economic times, cannot be underestimated."); *Pella Windows & Doors v. Buscarena*, 07 CV 82, 2007 U.S. Dist. LEXIS 52382, at *8 (E.D.N.Y. July 19, 2007) (holding that the balance of hardships favored the employee because he would be prevented from working in a field that would advance his career).

19. Third and finally, New York's strong public policy against non-competition agreements tips the balance of hardships against IBM. *See American Inst. of Chem. Eng'rs v. Reber-Friel Co.*, 682 F.2d 382, 386 (2d Cir. 1982) (noting "the general public policy favoring robust and uninhibited competition," and "powerful considerations of public policy which militate against sanctioning the loss of a man's livelihood"); *IBM v. Johnson*, 629 F.Supp.2d at 337 (holding that New York's public policy strongly disfavoring non-competition agreements was "another factor in determining that the balance of equities here does not tip decidedly in favor of IBM").

IV. CONCLUSION

Accordingly, for the reasons discussed above, IBM's Motion for a Preliminary Injunction is denied, and the Temporary Restraining Order that was entered on January 20 is hereby vacated.

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