

UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

RGIS, LLC v. Keith Gerdes

RGIS, LLC v. Gerdes, No. 19-2051 (6th Cir. June 12, 2020) · No. 19-2051 · Decided June 12, 2020

SUMMARY

The Sixth Circuit affirmed a preliminary injunction enforcing a non-compete agreement and prohibiting trade secret misappropriation. The court held that the defendant waived his personal jurisdiction challenge by signing a forum-selection clause requiring litigation in Michigan, and that the district court did not abuse its discretion in ruling on the motion despite the defendant's failure to respond. The challenge to the non-compete portion was moot after its one-year term expired, but the trade secret injunction was proper because the plaintiff showed a likelihood of success on misappropriation claims under the Michigan Uniform Trade Secrets Act and Defend Trade Secrets Act, based on evidence of the defendant's deceptive conduct and failure to return company property.

CASE DETAILS

COURT	United States Court of Appeals for the Sixth Circuit
WRITING FOR THE COURT	Murphy; Gilman; Kethledge
JURISDICTION	Federal
DECIDED	June 12, 2020
DOCKET	19-2051
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from order granting preliminary injunction
STANDARD OF REVIEW	De novo for likelihood of success on the merits; abuse of discretion for the overall preliminary injunction decision; clear error for factual findings.
PRECEDENTIAL VALUE	Unpublished
PARTIES	Keith Gerdes v. RGIS, LLC

TOPICS

[trade secrets](#)[injunctions](#)[noncompete agreements](#)[personal jurisdiction](#)[appellate procedure](#)

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the district court abused its discretion by ruling on the preliminary injunction motion without giving Gerdes an opportunity to respond.
2. Whether the district court lacked personal jurisdiction over Gerdes, making the injunction improper.
3. Whether the district court erred in granting the preliminary injunction on the merits of the breach-of-contract and misappropriation claims.

HOLDINGS

1. The district court did not abuse its discretion because Gerdes had an opportunity to respond under the local rules, the court had good reason to proceed without further delay, and the court allowed Gerdes to use his motion-to-dismiss arguments as opposition.
2. RGIS showed a likelihood of success that the forum-selection clause in the employment agreement constitutes a waiver of Gerdes's personal jurisdiction defense.
3. The challenge to the noncompete part of the injunction is moot because the one-year period expired by its own terms in May 2020, so the court cannot grant relief.
4. The district court did not abuse its discretion in granting the preliminary injunction because RGIS showed a likelihood of success on both the 'trade secret' and 'misappropriation' elements, and the remaining factors (irreparable harm, balance of equities, public interest) weighed in favor of the injunction.

KEY QUOTATIONS

“The Michigan Uniform Trade Secrets Act permits courts to enjoin the '[a]ctual or threatened misappropriation' of a trade secret.” (at 4)

“Yet additional proof that the former employee showed a 'lack of trustworthiness beyond his decision to work for a competitor,' including his deception of the former employer about accepting a position with the competitor, can support a conclusion that the employee cannot be 'trusted' to keep trade secrets confidential.” (at 6)

“On irreparable harm, the district court noted that a harm may qualify as irreparable—that is, 'not fully compensable by money damages'—‘if the nature of the plaintiff’s loss would make damages difficult to calculate.’” (at 7)

FACTUAL BACKGROUND

RGIS, LLC, a Michigan-based inventory services company, employed Keith Gerdes from California for 30 years, eventually as a regional vice president. Gerdes resigned in May 2019, stating he needed personal time, but immediately accepted a position with a direct competitor. RGIS sued for breach of the noncompete and confidentiality agreement and for misappropriation of trade secrets. The district court granted a preliminary

injunction that barred Gerdes from working for the competitor for one year, required return of RGIS property, and prohibited disclosure of trade secrets.

PROCEDURAL HISTORY

The district court granted plaintiff's motion for a preliminary injunction, prohibiting defendant from working for a competitor, requiring return of property, and prohibiting disclosure of trade secrets. Defendant appealed.

DISPOSITION

affirmed

CASES CITED

- Winter v. Nat. Res. Def. Council, Inc., 555 U.S. 7, 20 (2008)
- Babler v. Futhey, 618 F.3d 514, 519–20 (6th Cir. 2010)
- D.T. v. Sumner Cty. Schs., 942 F.3d 324, 327 (6th Cir. 2019)
- York Risk Servs. Grp., Inc. v. Couture, 787 F. App'x 301, 305 (6th Cir. 2019)
- Blue v. Hartford Life & Accident Ins. Co., 698 F.3d 587, 593–95 (7th Cir. 2012)
- Prime Rate Premium Fin. Corp., Inc. v. Larson, 930 F.3d 759, 766–67 (6th Cir. 2019)
- Ins. Corp. of Ireland Ltd. v. Compagnie des Bauxites de Guinee, 456 U.S. 694, 703–04 (1982)
- Stone Surgical, LLC v. Stryker Corp., 858 F.3d 383, 388–89 (6th Cir. 2017)
- Preferred Capital, Inc. v. Assocs. in Urology, 453 F.3d 718, 721 (6th Cir. 2006)
- Radiant Glob. Logistics, Inc. v. Furstenu, 951 F.3d 393, 395–96 (6th Cir. 2020) (per curiam)
- Hodges v. Schlinkert Sports Assocs., Inc., 89 F.3d 310, 312 (6th Cir. 1996)
- S. Glazer's Distribs. of Ohio, LLC v. Great Lakes Brewing Co., 860 F.3d 844, 849, 854 (6th Cir. 2017)
- Par Pharm., Inc. v. QuVa Pharma, Inc., 764 F. App'x 273, 278–79 (3d Cir. 2019)
- Brake Parts, Inc. v. Lewis, 443 F. App'x 27, 30–31 (6th Cir. 2011)
- Actuator Specialties, Inc. v. Chinavare, 2011 WL 6004068, at *3 (Mich. Ct. App. Dec. 1, 2011) (per curiam)
- CMI Int'l, Inc. v. Internet Int'l Corp., 649 N.W.2d 808, 813 (Mich. Ct. App. 2002) (per curiam)
- PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1270 (7th Cir. 1995)
- Basicomputer Corp. v. Scott, 973 F.2d 507, 511 (6th Cir. 1991)
- Indeck Energy Servs., Inc. v. Consumers Energy Co., 250 F.3d 972, 979 (6th Cir. 2000)
- Compulife Software Inc. v. Newman, ___ F.3d ___, 2020 WL 2549505, at *13 n.13 (11th Cir. May 20, 2020)
- RGIS, LLC v. Gerdes, 2019 WL 3958392 (E.D. Mich. Aug. 21, 2019)

OPINION

PER CURIAM.

NOT RECOMMENDED FOR PUBLICATION File Name: 20a0348n.06 No. 19-2051 UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT FILED Jun 12, 2020 RGIS, LLC,)

DEBORAH S. HUNT, Clerk) Plaintiff-Appellee,) v.) ON APPEAL FROM THE UNITED)
STATES DISTRICT COURT FOR KEITH GERDES,) THE EASTERN DISTRICT OF
Defendant-Appellant.) MICHIGAN) Before: GILMAN, KETHLEDGE, and MURPHY, Circuit
Judges.

MURPHY, Circuit Judge. RGIS, LLC, a company headquartered in Michigan, offers a variety of inventory-related services to business customers around the world. Keith Gerdes worked for RGIS from California for 30 years, eventually becoming a regional vice president on the operations side of the company. Gerdes left RGIS in May 2019. An RGIS official said that Gerdes told the company that he was resigning to allow for more “personal time.” But Gerdes immediately accepted the position of Vice President of U.S. Operations with one of RGIS’s main competitors.

RGIS did not take kindly to this development because Gerdes’s employment agreement barred him from accepting a job with a competitor for one year after leaving RGIS and required him to keep confidential certain RGIS business information. RGIS also believed that Gerdes failed to return a company laptop. No. 19-2051, RGIS, LLC v. Keith Gerdes In June 2019, RGIS sued Gerdes in a Michigan district court for breaching the employment agreement and misappropriating trade secrets.

RGIS also filed a motion for a preliminary injunction; Gerdes responded with a motion to dismiss for lack of personal jurisdiction and a motion to delay the injunction proceedings until after a decision on the motion to dismiss. Gerdes never formally responded to the motion for a preliminary injunction. At a hearing the court denied Gerdes’s requested delay, and Gerdes then characterized his motion to dismiss as an opposition to the preliminary-injunction motion.

The court granted the preliminary injunction. The injunction barred Gerdes from working at the competitor until a year after he left RGIS, required Gerdes to return any property that belonged to RGIS, and prohibited Gerdes from disclosing any RGIS trade secrets. RGIS, LLC v. Gerdes, 2019 WL 3958392, at *8 (E.D. Mich. Aug. 21, 2019). Gerdes now raises three arguments on appeal.

Each argument fails, so we affirm. Courts consider four familiar factors when deciding whether to grant a preliminary injunction: (1) whether the plaintiff is likely to succeed on the merits; (2) whether the plaintiff will suffer irreparable harm; (3) whether the balance of the equities tips in the plaintiff’s favor; and (4) whether an injunction is in the public interest.

See *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). On appeal, we review de novo the district court’s conclusion on the first factor, but we review under the abuse-of-discretion standard the district court’s ultimate decision about whether the preliminary-injunction factors favor granting or denying an injunction. *Babler v. Futhey*, 618 F.3d 514, 519–20 (6th Cir.

2010); see *D.T. v. Sumner Cty. Schs.*, 942 F.3d 324, 327 (6th Cir. 2019); *York Risk Servs. Grp., Inc. v. Couture*, 787 F. App’x 301, 305 (6th Cir. 2019). 1. Motion Procedure. Gerdes argues that

the district court abused its discretion by ruling on RGIS's preliminary-injunction motion without giving him an opportunity to respond.

We see no error, let alone an abuse of discretion. To begin with, Gerdes did have an opportunity to 2 No. 19-2051, RGIS, LLC v. Keith Gerdes respond; he simply failed to take it. RGIS filed its motion on July 1, 2019, and the court quickly set a hearing for August 14. Local rules gave Gerdes 21 days to respond. E. Dist. of Mich. L.R. 7.1(e)(1)(B). Gerdes filed nothing until July 29, the date on which he moved to dismiss for lack of personal jurisdiction.

And he did not file his motion to delay ruling on the preliminary- injunction motion until August 8. In addition, the district court could look at Gerdes's requested delay with a skeptical eye. He was simultaneously working for RGIS's competitor in what RGIS believed to be a clear breach of contract and so had every incentive to avoid an injunction ruling. Not only that, Gerdes told the district court at the hearing that his motion to dismiss was "actually" an opposition to the motion for a preliminary injunction.

All told, the court gave Gerdes enough time to respond, had good reason not to delay things further, and went out of its way to allow Gerdes to use his motion-to-dismiss arguments to oppose the injunction. It committed no procedural error. See *Blue v. Hartford Life & Accident Ins. Co.*, 698 F.3d 587, 593–95 (7th Cir. 2012); cf. *Prime Rate Premium Fin. Corp., Inc. v. Larson*, 930 F.3d 759, 766–67 (6th Cir.

2019). 2. Personal Jurisdiction. Gerdes, a Californian, next argues that the Michigan district court should have denied the injunction for one overarching reason—that RGIS does not have a likelihood of success because the district court lacks personal jurisdiction over him. Yet RGIS showed that it would likely rebut this personal-jurisdiction defense based on a waiver in the parties' employment agreement.

Cf. *Ins. Corp. of Ireland Ltd. v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 703–04 (1982). Although Gerdes does not live in Michigan, he signed an agreement with a forum-selection clause stating that any dispute arising from that agreement "shall and must be filed in" a state or federal court in Michigan. RGIS, 2019 WL 3958392, at *3. By signing this agreement, Gerdes consented to litigating in the district court and likely waived his right to challenge the district court's personal jurisdiction over him.

See *Stone Surgical, LLC v. Stryker* 3 No. 19-2051, RGIS, LLC v. Keith Gerdes Corp., 858 F.3d 383, 388–89 (6th Cir. 2017); *Preferred Capital, Inc. v. Assocs. in Urology*, 453 F.3d 718, 721 (6th Cir. 2006). Gerdes's personal-jurisdiction defense thus provides no basis for overturning the preliminary injunction. 3. RGIS's Substantive Claims. Gerdes lastly argues that the district court wrongly granted an injunction based on RGIS's breach-of-contract and misappropriation-of-trade-secrets claims.

We disagree on both fronts. Gerdes initially asserts that Michigan courts would not enforce his employment agreement's noncompete provision because it is overbroad. But the passage of time has made it unnecessary for us to resolve this state-law contract question.

The part of the preliminary injunction enforcing Gerdes's one-year noncompete expired by its own terms in May 2020, one year after Gerdes left RGIS. Because that part of the injunction no longer applies, we "have no way to grant [the requested] relief[.]" *Radiant Glob. Logistics, Inc. v. Furstenau*, 951 F.3d 393, 395–96 (6th Cir. 2020) (per curiam). Gerdes's challenge to this part of the injunction is thus moot.

Id.; see also *Hodges v. Schlinkert Sports Assocs., Inc.*, 89 F.3d 310, 312 (6th Cir. 1996). Gerdes next asserts that the district court mistakenly granted an injunction prohibiting him from misappropriating RGIS's trade secrets.

The district court did not abuse its discretion in granting this part of the injunction. We start with the "all-important likelihood-of-success" factor, a factor that we review *de novo*. *S. Glazer's Distribs. of Ohio, LLC v. Great Lakes Brewing Co.*, 860 F.3d 844, 849, 854 (6th Cir. 2017). RGIS brought claims under both federal and state law.

The Michigan Uniform Trade Secrets Act permits courts to enjoin the "[a]ctual or threatened misappropriation" of a trade secret. Mich. Comp. Laws § 445.1903(1). The Act defines "misappropriation" to include the "[d]isclosure or use of a trade secret of another without express or implied consent by a person 4 No. 19-2051, *RGIS, LLC v. Keith Gerdes* who" "knew or had reason to know that his or her knowledge of the trade secret was... acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use[.]" *Id.* § 445.1902(b)(ii)(B).

And the Act defines "trade secret" to mean "information" that derives economic value from being kept secret and that is subject to reasonable efforts to keep it secret. *Id.* § 445.1902(d). In the Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376, Congress also authorized trade-secret owners to seek injunctions against actual or threatened misappropriation of trade secrets for products or services in interstate commerce.

18 U.S.C. § 1836(b)(1), (3)(A). This federal law defines "misappropriation" and "trade secret" in similar ways. *Id.* § 1839(3), (5)(B)(ii)(III). Here, the district court viewed "the elements of misappropriation under" federal law as "substantially similar" to the elements of misappropriation under state law, so it "addresse[d] them together." *RGIS*, 2019 WL 3958392, at *5 n.3.

Likewise, the parties on appeal treat the federal claim as adopting legal standards that are coextensive with the standards that Michigan courts have adopted for the state claim. For purposes of this appeal, therefore, we will follow the parties' lead and simply assume (without deciding) that the federal law follows the same standards as the state law. *Cf. Compulife Software Inc. v. Newman*, ___ F.3d ___, 2020 WL 2549505, at *13 n.13 (11th Cir.

May 20, 2020). RGIS showed a likelihood of success that it could satisfy both the “trade secret” and the “misappropriation” elements of these claims. Courts have found that these elements raise fact questions reviewed under the clear-error standard. See, e.g., *Par Pharm., Inc. v. QuVa Pharma, Inc.*, 764 F. App’x 273, 278–79 (3d Cir. 2019); *Brake Parts, Inc. v. Lewis*, 443 F. App’x 27, 30–31 (6th Cir.

2011). 5 No. 19-2051, *RGIS, LLC v. Keith Gerdes* Gerdes does not appear to dispute the “trade secret” element. Declarations from senior RGIS officials explained that Gerdes knew much of the company’s confidential “business information,” see 18 U.S.C. § 1839(3); Mich. Comp. Laws § 445.1902(d), including its “strategic future planning, [its] plans for future use of software and [artificial intelligence], [its] customer service levels, [its] recruitment strategy, [its] business development strategy, its regional pricing strategy, and its margins.” The declarations added that RGIS had taken reasonable measures to keep this business information secret (such as by requiring its employees, including Gerdes, to sign confidentiality agreements) and that this information derived independent value from not being generally known.

See 18 U.S.C. § 1839(3); Mich. Comp. Laws § 445.1902(d). With no contrary evidence from Gerdes, the district court did not clearly err in finding that this information likely qualifies as a “trade secret” under the broad legal definitions in federal and Michigan law. *RGIS*, 2019 WL 3958392, at *6; see also, e.g., *Par Pharm.*, 764 F. App’x at 278–79.

The district court also did not clearly err when it found that RGIS had shown that Gerdes likely would “misappropriate” RGIS’s trade secrets. See *Brake Parts*, 443 F. App’x at 30–31; *Par Pharm.*, 764 F. App’x at 279. Under Michigan law—which, again, we treat as coextensive with federal law for this case—a party seeking an injunction based on a former employee’s “threatened misappropriation” of trade secrets “must establish more than the existence of generalized trade secrets and a competitor’s employment of the party’s former employee who has knowledge of trade secrets.” *Actuator Specialties, Inc. v. Chinavare*, 2011 WL 6004068, at *3 (Mich.

Ct. App. Dec. 1, 2011) (per curiam) (quoting *CMI Int’l, Inc. v. Internet Int’l Corp.*, 649 N.W.2d 808, 813 (Mich. Ct. App. 2002) (per curiam)). Yet additional proof that the former employee showed a “lack of trustworthiness beyond his decision to work for a competitor,” including his deception of the former employer about accepting a position with the competitor, can support a conclusion that 6 No. 19-2051, *RGIS, LLC v. Keith Gerdes* the employee cannot be “trusted” to keep trade secrets confidential.

Actuator Specialties, 2011 WL 6004068, at *3 (quoting *CMI Int’l*, 649 N.W.2d at 813; *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995)). Here, RGIS identified specific pieces of business information that qualify as trade secrets, and presented enough evidence to support a finding that Gerdes showed a “lack of trustworthiness beyond” merely deciding to work for a competitor.

Actuator Specialties, 2011 WL 6004068, at *4. To begin with, the district court could conclude that Gerdes was deceptive about his reasons for leaving RGIS. According to a declaration from an RGIS official, Gerdes told the company that he needed more “personal time and that he was not sure what he was going to do next.” Yet he immediately went to work for a “direct competitor.” In addition, Gerdes allegedly failed to return “at least a Surface Pro laptop device that was provided to him by RGIS,” as he was required to do by his employment agreement after resigning his position.

And, as the district court also noted, Gerdes did not present any arguments to counter these points. RGIS, 2019 WL 3958392, at *6. The district court thus did not clearly err when finding that RGIS would likely be able to prove that Gerdes would misappropriate RGIS’s trade secrets under federal and Michigan law. Lastly, the district court did not abuse its discretion in finding that the remaining preliminary-injunction factors weighed in favor of the injunction.

On irreparable harm, the district court noted that a harm may qualify as irreparable—that is, “not fully compensable by money damages”—“if the nature of the plaintiff’s loss would make damages difficult to calculate.” RGIS, 2019 WL 3958392, at *7 (citing *Basicomputer Corp. v. Scott*, 973 F.2d 507, 511 (6th Cir. 1991)). Most relevant to this part of the injunction, the court found that any disclosure of RGIS’s trade secrets would harm its “ability to compete with its competitors.” *Id.* We have previously upheld similar findings of irreparable harm.

See, e.g., *Brake Parts*, 443 F. App’x at 32; *Basicomputer 7 No. 19-2051, RGIS, LLC v. Keith Gerdes Corp.*, 973 F.2d at 512. Gerdes also does not dispute the district court’s findings about the other two preliminary-injunction factors, so he has forfeited any challenge to them. See, e.g., *Indeck Energy Servs., Inc. v. Consumers Energy Co.*, 250 F.3d 972, 979 (6th Cir.

2000). In sum, the district court did not abuse its discretion by granting a preliminary injunction on this record. We affirm. 8