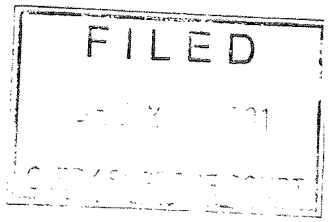
IN THE COURT OF APPEALS OF IOWA

No. 1-262 / 00-0797
Filed December 28, 2001



ROCKLIN MANUFACTURING CO.,
Plaintiff-Appellee/Cross-Appellant,

vs.

WAYNE A. TUCKER, MICHAEL WILLER, and MICROWELD TECHNOLOGY, INC.,
Defendants-Appellants/Cross-Appellees.

Appeal from the Iowa District Court for Woodbury County, David A. Lester, Judge.

On appeal from a district court ruling granting Rocklin Manufacturing Co. an injunction against its former employees, defendants contend the court erred by enjoining them from using information about trade shows and trade publications utilized by Rocklin, and by extending the injunction for ten years. **AFFIRMED.**

Kent Vriezelaar, Sioux City, and Thomas A. Vakulskas, Sioux City, for appellants.

Gerald M. Kraai, Kansas City, Missouri, and Wayne G. Prichard, Sioux City, for appellee.

Heard by Sackett, C.J., and Huitink, Mahan, and Hecht, JJ.

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HUITINK, J.

Defendants appeal the decision of the district court that granted an injunction to plaintiff based on its claims under Iowa Code chapter 550 (1997), the Uniform Trade Secrets Act. They claim they should not be enjoined from using trade publications and trade shows utilized by plaintiff, and an injunction of ten years is too lengthy. In a cross-appeal, plaintiff asserts the court should have issued a permanent injunction prohibiting defendants from further development, marketing, and sale of their competing product. We affirm.

Wayne Tucker and Michael Willer were formerly employed by Rocklin Manufacturing Company (RMC). RMC developed and manufactured two products, the Rocklinizer and the MoldMender. This case primarily involves the MoldMender, which is a micro-welder used to repair and maintain plastic injection molds made of steel. Tucker was the sales manager for the MoldMender. Willer was the purchasing agent responsible for purchasing the component parts of the MoldMender and the Rocklinizer. For a time he was also the sales manager for the Rocklinizer.

While still employed at RMC, but during nonwork hours, Tucker and Willer began creating a new micro-welder. Together with Kenneth Lane they developed a micro-welder that operated differently than the MoldMender, but performed many of the same tasks. Their welder was called the KwikWeld. Tucker left employment with RMC in September 1998. In January 1999 the president of RMC, James Rocklin, learned Tucker was involved in the development of the KwikWeld. Rocklin then asked all employees to sign a covenant not to compete. Willer refused to sign and resigned from his job.

Shortly thereafter, RMC filed a petition against Tucker, Willer, and their prospective corporation, Microweld Technology, Inc., seeking an injunction. In April 1999 the district court entered a temporary injunction prohibiting defendants from further development of the KwikWeld, which was not yet marketable.

After a hearing, the district court entered an order on February 15, 2000, which enjoined defendants from using, attempting to use, or disclosing certain trade secrets for a period of ten years. The court denied defendants' motion pursuant to Iowa Rule of Civil Procedure 179(b). Defendants appealed, and plaintiff cross-appealed.

I. Scope of Review

This case was filed in equity and our review is de novo. Iowa R. App. P. 4. In equity cases, especially when considering the credibility of witnesses, the court gives weight to the fact findings of the trial court, but is not bound by them. Iowa R. App. P. 14(f)(7).

II. Scope of the Injunction

The district court enjoined defendants from using, attempting to use, or disclosing "the identity of any trade publications being used or planned for use by Plaintiff" and "the identity of any trade shows being used or planned for use by Plaintiff" for a period of ten years. Defendants contend this information does not constitute a "trade secret" under Iowa Code section 550.2(4), and it is not entitled to protection by an injunction.

The owner of a trade secret may petition the district court to enjoin an actual or threatened misappropriation. Iowa Code § 550.3; *205 Corp. v.*

Brandow, 517 N.W.2d 548, 550 (Iowa 1994). "Trade secret" is defined as follows:

> *"Trade secret"* means information, including but not limited to a formula, pattern, compilation, program, device, method, technique, or process that is both of the following:
>
> *a.* Derives independent economic value, actual or potential, from not being readily ascertainable by proper means by a person able to obtain economic value from its disclosure or use.
>
> *b.* Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Iowa Code § 550.2(4).

Trade secrets can include customer and financial information, as well as manufacturing information. *Revere Transducers, Inc. v. Deere & Co.*, 595 N.W.2d 751, 776 (Iowa 1999). In considering whether the information has economic value, we look to whether the information protects the owner's competitive edge or advantage. *Olson v. Nieman's, Ltd.*, 579 N.W.2d 299, 314 (Iowa 1998). There must also be some showing that the owner expended reasonable efforts under the circumstances to maintain the secrecy of the information. *205 Corp.*, 517 N.W.2d at 550.

The district court determined the identity of the trade publications and trade shows which RMC used for its best advantage was a trade secret because the information:

> has taken years of trial and error for RMC to develop, and includes information obtained during the early years of marketing the Rocklinizer which was then used to create what is now some of the market for the MoldMender. Therefore, while a competitor can readily obtain the names of trade magazines and the location of trade shows, what makes [these] items [ ] protectable are the words "for best advantage" which relates to RMC's unique knowledge regarding which magazines and which shows yield the "biggest bang for the advertising buck."

We concur in the district court's conclusion that the identity of trade publications and trade shows that RMC can use to its best advantage are a trade secret.

We turn then to the question of whether there has been an actual or threatened misappropriation of trade secrets by defendants. Here, there was a threatened misappropriation of trade secrets that Tucker and Willer obtained as the sales managers for the MoldMender and Rocklinizer, respectively. The threat of inadvertent disclosure of trade secrets, and consequently, a threat of irreparable harm may justify the issuance of an injunction. *Uncle B's Bakery, Inc. v. O'Rourke,* 920 F. Supp. 1405, 1435 (N.D. Iowa 1996). We determine the district court properly enjoined defendants from using the identify of the trade publications and trade shows which RMC used to its best advantage.

Defendants also contend the terms of the injunction are vague. "The acts or things enjoined should be definitely specified, and they should be set forth with certainty and clearness so that persons bound by the decree may readily know what they must refrain from doing without speculation or conjecture." *205 Corp.,* 517 N.W.2d at 552 (quoting 42 Am. Jur. 2d Injunction § 296, at 1095 (1969)).

In the ruling on the 179(b) motion, the court stated it intended to prohibit defendants from participating in trade shows or advertising in trade publications which RMC was using or planned to use *as of the date of the court's ruling on February 15, 2000.* For trade shows, these would be the shows identified on the second page of plaintiff's exhibit 12. We do not interpret the injunction as prohibiting defendants from attending new or different trade shows which RMC had not attended prior to February 15, 2000. There is no specific information in the record concerning which trade publications RMC was planning on using as of

February 15, 2000, but the district court ordered the parties' counsel to confer with each other to provide this information. Again, we determine the injunction does not prohibit defendants from advertising in new or different publications that RMC had not advertised in prior to February 15, 2000. Based on our understanding of the injunction, we reject defendants' challenge to the scope of the injunction.

III. Duration of the Injunction

Defendants assert the district court granted an injunction for an excessive amount of time. They dispute the testimony of James Rocklin, president of RMC, that RMC spent $200,000 in the research and development of the MoldMender. Rocklin testified it would take about ten years to recoup these costs. He also testified the MoldMender would remain a viable and salable product for ten to twenty years.

An injunction may not be of such a lengthy duration that it is punitive. *205 Corp.*, 517 N.W.2d at 553. Here, there was no evidence the injunction was punitive. In fact, the district court noted defendants did not offer any evidence to refute the time period proposed by RMC, but chose instead only to argue that an injunction was not warranted. Under these facts, we affirm the duration of the injunction.

IV. Injunction Against Development, Marketing and Sale

RMC filed a cross-appeal, claiming the district court should have permanently enjoined defendants from further development, marketing and sale of the KwikWeld. RMC states that a permanent injunction against development and sale of the competing product is the only way defendants will be prevented

from profiting from their misappropriation and breach of loyalty, and the only way RMC can be adequately protected from damage as a result of defendant's unlawful acts.

RMC does not claim there was a valid non-compete agreement or a valid assignment-of-rights agreement. In the absence of such agreements, chapter 550, and the common law, protect only trade secrets. *Diversified Fastening Sys., Inc. v. Rogge,* 786 F. Supp. 1486, 1491 (N.D. Iowa 1991). The law "does not apply to prevent competition with an employer, except to the extent that competition utilizes trade secrets." *Id.* After the termination of employment, an employee does not have a duty not to compete with an former employer. *Lemmon v. Hendrickson,* 559 N.W.2d 278, 280 (Iowa 1997). In future employment, an employee may use the skills and general knowledge he or she acquired through employment with a former employer. *Revere,* 595 N.W.2d at 763.

We agree with the district court that defendants should not be prohibited from competing with RMC. Defendants are only prohibited from using trade secrets to give them an unfair advantage in that competition. We determine an injunction against further development, marketing, and sale of the KwikWeld is inappropriate under the facts in this case.

We affirm the district court on the issues raised in the appeal and the cross-appeal.

AFFIRMED.