

Rapid Temps, Inc. v. Lamon, 2008-NMCA-122 (10/13/08 Bar Bulletin)

Issues:

- 1.) Did the district court err by enforcing the covenant not to compete beginning on the date of judgment? Yes.
- 2.) Does substantial evidence support the district court's award of compensatory and punitive damages against Lamon for misappropriation of trade secrets? Yes.

Summary:

Plaintiff, Linda Lamon, was fired from Rapid Temps Incorporated (RTI) and began working for a competing firm. RTI produced evidence showing that Lamon, without permission from RTI, copied dozens of RTI computer files to her home computer with the intent of using the information to compete with RTI. The employment agreement that Lamon signed when she was hired contained a covenant not to compete.

The covenant stated that for a period of three (3) years following termination of employment, the employee shall not directly or indirectly participate in or control any business similar to that of RTI in the states in which RTI currently operates.

RTI provides medical staffing nationwide and holds a database of information about medical professionals and medical facilities. RTI brought suit in the district court to enforce the covenant not to compete and for damages arising from Lamon's alleged misappropriation of trade secrets.

The district court granted RTI's requested relief, holding that the covenant not to compete began to run on the day that judgment was entered and not on the day Lamon ceased being an employee of RTI.

Lamon challenged the district court's enforcement of the covenant and award of damages. Lamon argued that the covenant began running from the day she was terminated, not the day judgment was entered. Lamon also argued that RTI had no trade secrets in need of protection. Lamon claims the district court erroneously concluded that she misappropriated RTI's information based on evidence that the district court ruled inadmissible or irrelevant.

Holdings: Affirmed in part, reversed in part, and remanded.

- 1.) The question of when the three-year restriction against competition began to run is a matter of contract interpretation subject to de novo review. The covenant not to compete began to run from the date of Lamon's termination.
- 2.) RTI's database was a trade secret as defined under the Uniform Trade Secrets Act, which is codified at NMSA 1978, §§ 57-3A-1 to -7 (1989). Section 57-3A-2(D).