

CAUSE NO. 199-596-97

DSC COMMUNICATIONS CORPORATION,

Plaintiff,

v.

EVAN BROWN,

Defendant.

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IN THE DISTRICT COURT OF

COLLIN COUNTY, TEXAS

199TH JUDICIAL DISTRICT

DEFENDANT EVAN BROWN'S REPLY TO DSC'S RESPONSE TO BROWN'S MOTION FOR SUMMARY JUDGMENT AND BRIEF IN SUPPORT

TO THE HONORABLE JUDGE OF SAID COURT:

Defendant Evan Brown ("Brown") files this Reply to DSC's Response to Brown's Motion for Summary Judgment and Brief in Support and would respectfully show the Court as follows:

INTRODUCTION

On April 24, 1997, DSC sued Evan Brown, its former employee. DSC contends that it owns an idea or "solution" in Evan Brown's mind which, if it works, will allow the user of a software program to convert machine executable binary code into a high-level source code using logic and data abstractions. DSC alleges that the idea belongs to it based upon the terms of an Employee Patent, Copyright and Proprietary Information Agreement Brown signed one week after he began employment with DSC. DSC makes this argument even though the Agreement provides no consideration to Brown other than an illusory promise of at-will employment. As set forth in Brown's Motion for Summary Judgment, the complete absence of consideration makes the Agreement unenforceable as a matter of law. As such, DSC's contract claims must fail.

Defendant Evan Brown's Reply to DSC's Response to Brown's Motion for Summary Judgment and Brief in Support: Page 1

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C. J. L. [Signature]
BY [Signature]

ARGUMENT AND AUTHORITIES

I. The cases cited by DSC are inapplicable to the facts of this case.

In DSC's Response to Brown's Motion for Summary Judgment, DSC cited several covenant not to compete cases which allegedly support its position that the Agreement is supported by consideration and enforceable against Brown. None of the cases cited, however, are applicable to the facts of the instant case. For example, DSC cites the case of *Zep Manufacturing Co. v. Harthcock*, 824 S.W.2d 654 (Tex. App.--Dallas 1992, no writ) for the proposition that the "mere fact that a noncompete covenant is void does not render void the remainder of the employment contract." In *Zep*, however, the covenant not to compete at issue was not held unenforceable because of a lack of consideration affecting the entire agreement, as is the case here. Rather, the court held that the covenant was unenforceable because it did not contain a reasonable restriction of geographical area. *Id.* at 661. Similarly, while the court in *Hi-Line Electric Co. v. Dowco Electrical Products*, 765 F.2d 1359 (5th Cir. 1985) stated that an employment contract is not necessarily rendered void because of the voidness of a covenant not to compete contained in the contract, the covenant at issue in that case was held unenforceable not due to a lack of consideration, but because its duration was unreasonable. *Id.* at 1362.

In addition to the covenant not to compete cases set forth above, DSC also cites several employment agreement cases from other jurisdictions as support for the enforceability of the Agreement between Brown and DSC. Besides the obvious fact that none of the cited cases is controlling, it is also important to note that the cases are factually distinguishable from the instant case. In *Syntex Ophthalmics v. Novicky*, 795 F.2d 983 (Fed. Cir. 1986), for example, consideration

was never an issue. The same can be said of *Goldwasser v. Smith Corona Corp.*, 817 F. Supp. 263 (D. Conn. 1993). Finally, the third patent agreement case cited by DSC, *Cubic Corp. v. Marty*, 229 Cal. Rptr. 828 (Cal Ct. App. 1986), actually supports Brown's position. In that case, the court held that "the adequacy of consideration is to be determined in light of the conditions existing at the time a contract is made." *Id.* at 833 (emphasis added). This statement is in line with the other decisions cited by Brown in his Motion for Summary Judgment and is contrary to DSC's position that consideration should be determined by looking at DSC's post-contract employment of Brown rather than the circumstances as they existed at the time the Agreement was signed.

B. The Agreement is not an enforceable unilateral contract.

DSC argues in its summary judgment response that the Agreement is not an unenforceable bilateral contract but rather a unilateral contract consisting of an offer of disclosure by Brown which DSC accepted by employing Brown. In order to understand the fallacy of DSC's argument, this Court must first understand the complete terms of the Agreement and the circumstances under which Brown signed the Agreement. Most importantly, the Court should note that Brown had been working for DSC for nearly a full week at the time he signed the Agreement. As he stated at the May 2, 1997 hearing on DSC's application for an injunction, he "was not given that agreement to review before employment." *See* excerpts from May 2, 1997 injunction hearing attached hereto as Exhibit A at p. 95. Instead, he was presented with the Agreement and told that he would lose a job he already had if he did not sign the Agreement. In his own words, "I was informed if I don't sign it, you know, I'm unemployed. Six days after starting a job." *Id.* Brown was given no opportunity to bargain for or negotiate over the terms of the Agreement. Rather, as stated by DSC's Dan Allman

at the May 2, 1997 injunction hearing, the Agreement is a “standard document” used by DSC for its employees. Exh. A at p. 28. It is DSC’s policy that employees who refuse to sign the standard agreement signed by Brown do not continue to work for DSC. *Id.*

The Court must also understand the details of the Agreement itself to properly evaluate DSC’s argument. Most importantly, the Court must understand that the Agreement imposes various post-termination requirements on Brown and other DSC employees. For example, the Agreement obligates DSC employees not to disclose DSC’s trade secrets for “a period of two (2) years subsequent to the term of employment” Exh. B. The Agreement also obligates DSC employees to “assist the Company and its nominees during or subsequent to such employment” to obtain patents in any and all countries on inventions made by the employee while employed by DSC. *Id.* (emphasis added). Finally, the Agreement states that the “[employee’s] agreement not to use or disclose the Company’s proprietary data or information and to protect the Company’s interest in any inventions shall survive termination of [the employee’s] employment.” *Id.* Given the foregoing, DSC’s statement in its summary judgment response that “if DSC terminated Brown, then his obligations under the Employment Agreement cease” is simply false.

The details regarding the Agreement and the circumstances under which it was signed reveal the fallacy of DSC’s claim that the Agreement is a valid unilateral contract. That claim is based on a footnote in the case of *Light v. Centel Cellular Co. of Texas*, 883 S.W.2d 642 (Tex. 1994) in which the Texas Supreme Court stated as follows:

If only one promise is illusory, a unilateral contract can still be formed; the non-illusory promise can serve as an offer, which the promisor who made the illusory promise can accept by performance.

For example, suppose an employee promises not to disclose an employer's trade secrets and other proprietary information, if the employer gives the employee such specialized training and information during the employee's employment. If the employee merely sought a promise to perform from the employer, such a promise would be illusory because the employer could fire the employee and escape the obligation to perform. If, however, the employer accepts the employee's offer by performing, in other words by providing the training, a unilateral contract is created in which the employee is now bound by the employee's promise. The fact that the employer was not bound to perform because he could have fired the employee is irrelevant; if he has performed, he has accepted the employer's offer and created a binding unilateral contract.

Id. at 645 n.6.

Based on the facts set forth above, it is ludicrous to assert that Brown "offered" to make disclosures to DSC and that DSC "accepted" his offer by employing him. Brown was simply ordered to sign the Agreement or lose a job he had been at for nearly a week. More importantly, Brown was provided no consideration other than merely being allowed to keep a job he already had. It is not just coincidence that the example used in the *Light* footnote involved "performance" by the employer which consisted of something more than mere employment. The example of providing specialized training and information is consistent with the numerous Texas cases which steadfastly hold that employment alone is an illusory promise which furnishes no consideration; as the Court in *Light* stated, "[c]onsideration for a promise, by either the employee or the employer in an at-will employment, cannot be dependent on a period of continued employment. Such a promise would be illusory because it fails to bind the promisor who always retains the option of discontinuing employment in lieu of performance." *Id.* at 644-45. The provision of specialized training and proprietary information, however, is more than illusory. It is a recognizable, finite event which has

either occurred or not occurred. As the Court in *Light* stated, the fact that the obligation can be avoided by firing the employee becomes irrelevant only after the training and information is provided to the employee. *Id.* at 645 n.6 (“The fact that the employer was not bound to perform because he could have fired the employee is irrelevant; if he has performed, he has accepted the employee’s offer and created a binding unilateral contract). Once the training and information has been provided, any subsequent termination of employment is irrelevant, for the employee has already been given what he bargained for. Unlike the provision of training or the imparting of proprietary information, however, mere employment is not a finite event which has either occurred or not occurred. Rather, it is a continuing relationship which can be terminated at any time by the employer. As numerous cases have therefore held, mere at-will employment provides no consideration.

DSC seems to recognize the distinction between mere employment and other, more definite benefits to an employee such as the provision of training and proprietary information. Throughout its summary judgment response, DSC states that Brown received training from DSC and that DSC disclosed to Brown confidential and proprietary information. *See* DSC’s Response to Evan Brown’s Motion for Summary Judgment at pp. 3, 4, 11. If the Agreement had stated that Brown was to receive such benefits in exchange for his promise of disclosure, these alleged benefits might be relevant. The Agreement, however, very clearly defines the consideration to Brown as mere employment and his accompanying salary:

In consideration of my employment (or continued employment in the event I am already in the employ of the Company at the time of execution hereof) with DSC Communications Corporation or any

subsidiary or affiliate thereof (the "Company") and of the salary or wages paid for my services in such employment, the Company and I agree as follows . . .

Exh. B (emphasis added). DSC's repeated allegations that it provided Brown with training and proprietary information are nothing more than a tacit admission that more than at-will employment is required as consideration to make the Agreement enforceable. DSC, however, cannot rewrite the Agreement by merely alleging that it has provided Brown with additional benefits which it was not contractually required to provide. The Agreement must either stand or fall based on the consideration stated therein. As set forth above, that consideration -- mere at-will employment -- is an illusory promise which provides no consideration whatsoever.

DSC's argument based on the *Light* footnote is also unconvincing because the Agreement was not bargained for between Brown and DSC. As the Court in *Light* stated, to form the type of unilateral contract asserted to exist by DSC, "the performance must be bargained-for so that it is not rendered past consideration" *Light*, 883 S.W.2d at 645 n.6 (citing E. Allan Farnsworth, *Contracts* (1982)). As set forth above, Brown and DSC did not bargain for the Agreement. Rather, Brown was ordered to sign the Agreement or lose a job at which he had been working for nearly a week. Such circumstances render DSC's employment of Brown "past consideration" which precludes the formation of a unilateral contract. As explained by E. Allan Farnsworth:

Imagine an exchange consisting of a promise on one side and some action, either promise or performance, on the other. Only if that action has not yet been taken when the promise is made can the promisor be bargaining for it when making the promise. If the action has already been taken, the promisor cannot be seeking to induce it. Such "past consideration" -- action already taken before a promise is made -- cannot be consideration for the promise.

E. Allan Farnsworth, *Contracts* § 2.7 (1982). Assuming that Brown promised through the Agreement to disclose his idea to DSC in exchange for DSC's employment of him, DSC's employment was past consideration for Brown's promise since Brown had already been employed by DSC for nearly a week when he signed the Agreement. In "offering" the Agreement to Brown, DSC was not offering Brown something he didn't already have (employment), it was threatening to take it away if he didn't sign the Agreement. DSC's employment of Brown was merely past consideration which cannot be consideration for his alleged promise to disclose.

In sum, DSC has cited not one case which holds that at-will employment can provide *adequate consideration to support an employee's promise of disclosure*. The covenant not to compete and patent agreement cases relied upon by DSC generally fail to address the issue of consideration. DSC has cited no cases in which a court has ordered an employee to disclose an idea he independently conceived based upon the terms of a written agreement when the sole consideration supporting the agreement was the employee's continued at-will employment. For the reasons set forth in Brown's Motion for Summary Judgment, the Agreement at issue is unenforceable due to a lack of consideration.

C. Conclusion.

As set forth above, an agreement must be supported by valid consideration at the time it is made to be enforceable. At-will employment is a merely illusory promise which provides no legal consideration to a contracting party. *See, e.g., Ichiban Records*, 933 S.W.2d at 552; *Light*, 883 S.W.2d at 644-45. Without valid consideration, there can be no valid, enforceable contract. *See,*

e.g., *Gary Safe Co.*, 568 S.W.2d at 168; *Hoagland*, 773 S.W.2d at 744. As such, the Agreement between Brown and DSC is invalid and unenforceable.

CONCLUSION AND PRAYER

For the reasons set forth above and in his Motion for Summary Judgment and Brief in Support, Defendant Evan Brown respectfully requests that the Court grant his Motion for Summary Judgment, dismiss DSC's contract claims with prejudice and award Brown such other and further relief to which he may be justly entitled.

Respectfully submitted,



RICHARD A. SAYLES

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Attorneys for Defendant

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing instrument has been served upon all counsel of record on this 4th day of August, 1997, pursuant to rule 21a of the Texas Rules of Civil Procedure.



**Defendant Evan Brown's Reply to DSC's Response
to Brown's Motion for Summary Judgment and Brief in Support: Page 9**

DSC COMMUNICATIONS
CORPORATION,

Plaintiff,

v.

EVAN BROWN,

Defendant.

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IN THE DISTRICT COURT OF

COLLIN COUNTY, TEXAS

199TH JUDICIAL DISTRICT

AFFIDAVIT OF ERIC D. PEARSON

STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this date personally appeared Eric D. Pearson who, being by me first duly sworn, upon his oath deposed and stated as follows:

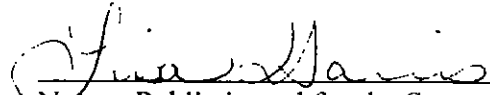
1. My name is Eric D. Pearson. I am an attorney with the law firm of Sayles & Lidji and am one of the counsel of record for Defendant in the above-styled and numbered case. I have personal knowledge of the facts recited in this affidavit. My personal knowledge is derived from my position as one of the lawyers representing Defendant.

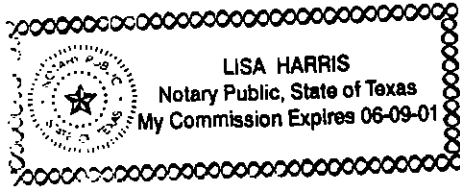
2. Attached hereto as Exhibit A is a true and correct copy of excerpts from the May 2, 1997 injunction hearing held before Judge Roach. Attached hereto as Exhibit B is a true and correct copy of the April 27, 1987 Employee Patent, Copyright and Proprietary Information Agreement which forms the basis of DSC's contract claims.

FURTHER AFFIANT SAITH NOT.


ERIC D. PEARSON

Sworn and subscribed before me on this 4th day of August, 1997, to certify which witness my hand and seal of office.


Notary Public in and for the State of Texas



CAUSE NO. 199-00596-97

DSC COMMUNICATIONS CORPORATION (IN THE DISTRICT COURT
VERSUS (COLLIN COUNTY, T E X A S
EVAN BROWN (199TH JUDICIAL DISTRICT

STATEMENT OF FACTS

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972-548-0800

ATTORNEY FOR DEFENDANT

BE IT REMEMBERED that on the 2nd day of May, 1997, the
above styled and numbered cause came on for hearing before
said HONORABLE JOHN R. ROACH, Judge presiding, and the
following proceedings were had; to wit:

EXHIBIT

A

1 A. Yes, sir, I have.

2 Q. Is that a standard document that is used by DSC for
3 its employees?

4 A. Yes, sir, it is.

5 Q. Okay.

6 Now, there's been some discussion -- well, let me ask it
7 this way.

8 In the first line that reads, In consideration of my
9 employment, in a paren, or continued employment in the event I
10 am ready -- already in the employ of the company at the time
11 of the execution hereof, and then it goes on to the rest of
12 the contract.

13 In your experience at DSC, does DSC permit employees to
14 continue their employment if in fact they do not sign this
15 agreement?

16 A. No, sir, we do not.

17 Q. And is that a policy at DSC?

18 A. Yes, sir, it is.

19 Q. Can we take it from your statement that, unless an
20 agreement like Plaintiff's Exhibit 1 is signed, they don't
21 continue to work there at all?

22 A. No, sir, they do not.

23 Q. Let me ask you, prior to April of 1997, had you ever
24 met Mr. Brown, the defendant in this case?

25 A. Yes, I had.

1 these higher-level programs and the conversion of those
2 compilers and linkers that allowed you to talk to the zilog.

3 A. Can you be clearer on that?

4 Q. I doubt it. I will try to be. I apologize.

5 When you came to work for DSC, did you understand that you
6 were required to sign an agreement with them, a proprietary
7 agreement, that's marked as Exhibit 1?

8 A. At the time of my employment, I was not given that
9 agreement to review before employment.

10 If you'll notice, it's signed April the 27th, which was
11 six days after I started.

12 I was informed if I don't sign it, you know, I'm
13 unemployed. Six days after starting a job.

14 Q. Okay.

15 A. I did sign the agreement.

16 Q. And did you intend to live up to the terms of that
17 agreement?

18 A. Yes.

19 Q. You understood you were making certain promises in
20 that agreement?

21 A. I understand that I made certain commitments.

22 Q. Okay. Commitments, if you will.

23 You understood that -- I mean, you're not trying to get
24 out of those commitments.

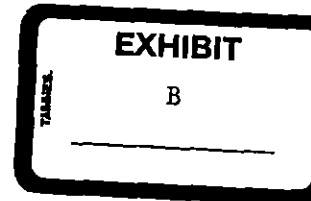
25 A. No.

EMPLOYEE INVENTION, COPYRIGHT AND PROPRIETARY INFORMATION AGREEMENT



DSC Communications Corporation

Name: Evan Brown
(please print)



In consideration of my employment (or continued employment in the event I am already in the employ of the Company at the time of execution hereof) with DSC Communications Corporation or any subsidiary or affiliate thereof (the "Company") and of the salary or wages paid for my services in such employment, the Company and I agree as follows:

(A) I will communicate to an officer of the Company promptly and fully all inventions (including but not limited to all matters subject to patent, i.e., processes, machines, computer programs, etc.) made or conceived by me (whether made solely by me or jointly with others) from the time of entering the Company's employ until I leave, (1) which are along the lines of the business, work or investigations of the Company or of companies which it owns or controls at the time of such inventions, or (2) which result from or are suggested by any work which I may do for or on behalf of the Company.

(B) I will assist the Company and its nominees during on subsequent to such employment in every proper way (entirely at its or their expense) to obtain for its or their own benefit patents for such inventions in any and all countries (including the assignment of any inventions to the Company), said inventions to be and remain the sole and exclusive property of the Company or its nominees whether patented or not.

(C) In accordance with Company policy as in effect from time to time, I will make and maintain adequate and current written records of all such inventions, in the form of notes, sketches, drawings, or reports relating thereto, which records shall be and remain the property of and available to the Company at all times.

(D) Except as the Company may otherwise consent in writing, I will not disclose at any time (except as my Company duties may require) either during or within a period of two (2) years subsequent to the term of employment any information, knowledge, or data of the Company I may receive or develop during the course of my employment, relating to trade secrets, formulas, business processes, methods, machines, manufacturers, compositions, inventions, discoveries, computer programs, customer records, lists, accounts or other matters which are of a private, secret or confidential nature. (The terms "secret" and "confidential" as used in this Agreement are used in their ordinary sense and do not refer to official classifications of the United States Government.)

(E) I will notify the Company in writing before I make any disclosure or perform or cause to be performed any work for or on behalf of the Company, which might conflict with (1) the rights I claim in any invention or idea (a) conceived by me or others prior to my employment or (b) otherwise outside the scope of this Agreement, or (2) rights of others arising out of obligations incurred by me (a) prior to this Agreement or (b) otherwise outside the scope of this Agreement. In the event of my failure to give notice under the circumstances specified in (1) of the foregoing, the Company may assume that no such conflicting invention or idea exists, and I agree that I will make no claim against the Company with respect to the use of any such invention or idea in any work or the product of any work which I perform or cause to be performed for or on behalf of the Company. All discoveries owned or controlled by me in whole or in part, as of the date of this Agreement are listed below.

Discoveries owned or controlled: (If none, so state. Attach separate sheet if necessary.)

- NONE -

(F) I will allow the Company, without charge, fee, license or other arrangement and free from any allegation of infringement whatsoever to make full use of any matter developed by me (whether developed or written solely by me or jointly with others) during the course of my employment along the lines of the business, work or investigations of the Company or of companies which it owns or controls at the time of such development and/or which result from or are suggested by any work which I may do for or on behalf of the Company.

This Agreement may not be changed, modified, released, discharged, abandoned or otherwise terminated, in whole or in part, except by an instrument in writing signed by me and by an officer or other authorized executive of the Company.

This Agreement shall be binding upon my heirs, executors, administrators or other legal representatives or assigns. Any reference to the Company shall include the Company's subsidiaries, successors and assigns.

Except as stated below, I have no agreements with or obligations to others in conflict with the foregoing. (If "none", so state)

Arrangements with or obligations to others:
(If none, so state. Attach separate sheet if necessary.)

- NONE -

The Company and I acknowledge that this Agreement does not constitute a contract of employment and that either the Company or I can terminate the employment relationship at any time subject to any applicable employment policies of the Company then in effect. However, my agreement not to use or disclose the Company's proprietary data or information and to protect the Company's interest in any inventions shall survive termination of my employment.

Employee: Evan Brown

Date: Apr 27, 1987

DSC Communications Corporation
By: [Signature]

Title: Personnel Director