IN THE SUPREME COURT OF OHIO

ROBERT E. MARTIN,	:	
Defendant-Appellant,	:	Case No. 2007-0121 2006-2340
v.	:	
AL MINOR & ASSOCIATES	:	ON REVIEW OF ORDER CERTIFYING A CONFLICT BETWEEN THE 8TH AND 10TH DISTRICT COURT OF APPEALS
Plaintiff-Appellee.	:	
	:	COURT OF APPEALS CASE NO. 2006 AP 217

MERIT BRIEF OF DEFENDANT-APPELLANT ROBERT E. MARTIN

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STATEMENT OF THE FACTS

The facts in this case are not in dispute. This case is about the application of Ohio's Trade Secrets Act, R.C. §1333.61.

On January 7, 2003, the Appellant, Robert Martin, resigned from his position as a pension analyst with the Appellee, Al Minor & Associates, Inc. ("Al Minor"), which he held for approximately five (5) years. (Appx. 43.) After Appellant Martin resigned his employment, he started his own pension analyst business and began to solicit potential clients. (Appx. 43.) Appellant Robert Martin had been an employee at-will with no non-compete nor trade secrets agreement. (Appx. 42.)

Appellant had been employed by Appellee Al Minor in 1998 to provide various professional administrative services for ERISA plans. (Appx. 42.) Al Minor is a third party administrator and actuarial firm that designs, implements, and administers qualified retirement plans for client companies. (Appx. 39.)

Just prior to Appellant Martin's resignation, Al R. Minor Jr., owner of Al Minor, requested that Martin sign a covenant not to compete. (Appx. 41.) Appellant Martin refused and never signed a covenant not to compete agreement with Al Minor & Associates Inc., nor did Minor request that Appellant Martin sign any trade secret agreement. (Appx. 41-42.). In fact, it is not disputed that Minor did not request, nor did Appellant Martin sign, any employment agreement with Al Minor Jr. or with Al Minor & Associates Inc. (Appx. 42.)

Martin, subsequent to leaving Al Minor, set up his own ERISA consulting firm. (Appx. 28.) Although Appellant Martin filed with the Ohio Secretary of State for a Limited Liability Company one week prior to his leaving Al Minor & Associates Inc. he did not commence business as Martin Consultants LLC until his employment with Al Minor & Associates ended. (Appx. 43.) It is further undisputed that at no time during or after Appellant Martin's employment with the Appellee did he take any of the Appellee's documents, records, files, lists, or data of any type regarding any of Appellee's customers or operations. (Appx. 43.) Nor is it alleged that Appellant Martin has used any such documents, records, files, lists, or data in his current business. (Appx. 43.)

As part of Mr. Martin's duties as a pension analyst at Appellee Al Minor & Associates Inc., Appellant Martin completed and filed forms entitled "Form 5500" for each client of Al Minor & Associates, Inc. "Form 5500" is a federal reporting form that lists the client's name, telephone number, address and contact information. (Appx. 45.) These forms are filed with the Department of Labor and are available public information. (Appx. 45.)

Appellee Al Minor's client names and contacts are public information listed on the Internet, and web sites including "www.freeERISA.com" which list the names of companies with ERISA plans, their addresses and telephone numbers, as well as the names of the plan administrators. (Appx. 45.) All of Al Minor's client names, addresses, and contact information are available on www.freeERISA.com. (Appx. 45.)

After Appellant Martin left the Appellee's employ and started his own business, Appellant solicited potential customers by locating companies with ERISA plans from public information listings on the Internet, which provided the companies' addresses and telephone numbers, as well as the names of the plan administrators. (Appx. 47.) A few of the client's Martin solicited were the Appellee's current or former clients. (Appx. 47.)

Appellant Martin did not obtain any information about Appellee Al Minor's clients from Al Minor, nor from any agent or representative of Al Minor, nor from files, records, current employees or any other data or information base of Al Minor when he left his employment with Appellee. (Appx. 43.) The information Appellant Martin used was strictly from his memory, which Appellant is obviously unable to delete.

It is the decision of the Tenth District Court of Appeals that Appellant's memory of a client list, and the memory of every other employee, may not be used in a manner which competes with his former employer. The court of appeals also noted that its holding is in direct conflict with the holding of the Eighth District Court of Appeals.

The Tenth District stated in its Memorandum Decision certifying the conflict that:

> [W]e grant defendant's motion to certify the conflict to the Supreme Court of Ohio because our decision in the present appeal conflicts with the judgment of the Eighth District in Michael Shore on the following question:
>
> Whether customer lists compiled by former employees strictly from memory can be the basis for a statutory trade secret violation.

(Appx. 28.)

ARGUMENT

Proposition of Law No. 1:

> **The Eighth and Sixth District's holdings that memorized client lists are not trade secrets absent a contract to the contrary should be the law of Ohio as it correctly balances the competing public policy interests, and is in conformity with Ohio's established law prohibiting restrictions on competition that are overbroad.**

The direct issue before this court is whether customer lists compiled by former employees strictly from their memory can be the basis for a statutory trade secret violation. Regarding this issue, the Eighth and Sixth District Court of Appeals have held that customer information used by former employees strictly from memory are **not** trade secrets. Ellison & Assoc. v. Pkarek, (Sept. 26, 1985), Cuyahoga App. No 49560, 1985 Ohio App. LEXIS 7140 at *9, unreported; Perfect Measuring Tape Co. v. Notheis, (6th App Dist. 1953), 114 N.E.2d 149, 153; 93 Ohio App. 507, 511. To the contrary, the Tenth District holds the opposite view that customer lists derived solely from memory are to be treated no better than written lists improperly and physically taken. The incorrect and narrow analysis of the Tenth District is the basis of the Appellant's appeal.

The controlling differences between the conflicting Districts is that the Tenth District establishes its reasoning on the limited practical differences among employees who use a written list as opposed to a mental list, whereas the Eighth and Sixth Districts consider the public policy differences between the unethical procurement of a former employer's written customer list and honest use of an employee's memory and experience regarding customers. The Eighth and Sixth District's reasoning should be the law of Ohio as it is based on fair and sound public policy.

In Ellison, the Eighth District addressed an accounting firm employer who attempted to enjoin its former billing clerk from soliciting her former billing clients after forming her own business. Like the case at bar, the employer in Ellison contended that the employee's memory of its clients constituted a customer list. Id. at 3. The Eighth Circuit Court of Appeals held that a list compiled by an ex-employee using nothing more than his memory is not a trade secret. Id. In issuing its ruling the Eighth Circuit referred to its prior decision in Michael Shore & Co. v. Greenwald, (March 21, 1985), Cuyahoga App. No. 48824, 1985 Ohio App. LEXIS 10447 at *6, unreported. In considering the policy issues, the Eighth Circuit rejected the Tenth District's and the trial court's conclusion that "memories were as good as any written list" and stated: This is not the law. If it were, then no Bailsman or any other employee could leave his employer and go into business with others or for himself, for surely he would have some 'memory' of what he had learned in his employer's business. Id. at *9; Compare Mesarvey, Russell & Co. v. Boyer, (July 30, 1992), Franklin App. No. 91AP-974, 1992 Ohio App. LEXIS 3947 at *38, unreported, ("[w]hether created from a writing or from memory, a client list is a statutory trade secret").

In Commonwealth Sanitation Co. of Cleveland Inc., v. Commonwealth Pest Control Co., (8th App. Dist. 1961), 178 N.E.2d 518, 522, the Eighth District had also previously held that:

> The Court of Ohio Appeals, Eighth District, Cuyahoga County Court adopts the view that unless otherwise agreed, after the termination of the agency, the agent: (a) has no duty not to compete with the principal; (b) has a duty to the principal not to use or to disclose to third persons, on his own account or on account of others, in competition with the principal or to his injury, trade secrets, written

> lists of names, or other similar confidential matters given to him only for the principal's use or acquired by the agent in violation of duty; **the agent is entitled to use general information concerning the method of business of the principal and the names of the customers retained in his memory, if not acquired in violation of his duty as agent;** (c) has a duty to account for profits made by the sale or use of trade secrets and other confidential information, whether or not in competition with the principal; (d) has a duty to the principal not to take advantage of a still subsisting confidential relation created during the prior agency relation.

(Emphasis added).

The Eighth District further noted the two views resulting in the current conflict of districts:

> In our search of cases bearing on the question herein, we find two lines of authority. One is shown by the case of Alex Foods, Inc., v. Metcalfe, et al., 137 Cal.App.2d 415, 290 P.2d 646, a California case which indicates that customers of a former employee may not be solicited, even in the absence of a restrictive covenant. The other line of authority, to the effect that, in the absence of a restrictive covenant or fraud, customers of a former employer, the names of whom are in the memory of the former employee, may be solicited, is found in Abalene Exterminating Co. of N. J., Inc. et al. v. Elges et al., 137 N.J.Eq. 1, 43 A.2d 165; Spring Steels, Inc., v. Molloy, et al., 400 Pa. 354, 162 A.2d 370.
>
> There is thus in these cases a direct conflict of authority. The former line of cases says that a customer list built by an employer over a period of years is the employer's property, and its use by a former employee for his own advantage will be enjoined. The other cases under such facts deny an injunction.

Id.

The Eighth District went on to hold that unless otherwise agreed, after the termination of the agency, the agent may solicit the former employer's customers retained in the agent's memory. Id.

The Eighth District's position is further supported by the Restatement (Second) of Agency which has held that a former employee, while prohibited from using written customer lists is entitled to use "names of customers retained in his memory, if not acquired in violation of his duty as an agent." Restatement (Second) of Agency § 396 (1958).

a. A written list is not the same as a mental list.

Unlike the Eighth District and the Restatement (Second) of Agency, the Tenth District has failed to register any distinction as to whether a client list is created from writing or from memory. Mesarvey , Russell & Co., 1992 Ohio App. LEXIS 3947 at *37-38, unreported. In the decision appealed from, the Tenth District, again confirmed its holding that a client list derived from memory is the same as a written list under O.R.C. § 1333.61(D). (Appx. 23.) The Tenth District's position is overbroad, fails to properly balance the competing interests, and is just logically wrong.

Scratching the veneer of the Tenth District's analysis reveals that a written list taken by an employee to be used against the employer after the employment relationship ends is not the same as customer information retained by a former employee. There are at least four clear differences between use of a written list and use of client information derived from memory:

1. With a written list there is a physical taking of a document owned by the employer, where no such taking occurs with a "mental list";
2. With a written list there is the moral culpability of an employee who uses improper means to take a physical item while employed for use after the relationship ends, as compared to the employee who pilfers nothing from his employer and has simply acquired customer knowledge by means of his years of honest labor;

3. Unlike a written list, the mislabeled "mental list" is actually not a "list" at all, but is instead the employee's memory and experiences of his former workplace relationships; and

4. A written list can be physically destroyed, secured, and if taken, returned, whereas, a "mental list" cannot be physically controlled except by agreement with the individual in whose mind it inhabits.

These differences were ignored by the Tenth District's holding and require different treatment under Ohio law.

b. The taking of a written list is different from a mental list in terms of business ethics.

The lack of "improper means" in the acquisition of a mental customer information warrants different treatment under the law and is supported by the language of Ohio's Uniform Trade Secrets Act, O.R.C. § 1333.61 et seq. The Ohio Uniform Trade Secrets Act provides for civil remedies, i.e., injunctive relief and damages, for the ***misappropriation*** of trade secrets.

The Act defines "trade secret" as:

> [I]nformation, including the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, pattern, compilation, program, device, method, technique, or improvement, or any business information or plans, financial information, or listing of names, addresses, or telephone numbers, that satisfies both of the following:
>
> (1) It derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.
>
> (2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

O.R.C. § 1333.61(D)(2).

This Court in State ex rel. The Plain Dealer v. Ohio Dept. of Ins., (1997), 80 Ohio St. 513, 524-525, set forth the following factors which are to be considered in analyzing a trade secret claim:

(1) The extent to which the information is known outside the business;

(2) The extent to which it is known to those inside the business, *i.e.*, by the employees;

(3) The precautions taken by the holder of the trade secret to guard the secrecy of the information;

(4) The savings effected and the value to the holder in having the information as against competitors;

(5) The amount of effort or money expended in obtaining and developing the information; and

(6) The amount of time and expense it would take for others to acquire and duplicate the information."

To trigger the protections of the law, a trade secret must be "misappropriated". O.R.C. § 1333.61(B) defines "misappropriation" as follows:

(1) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was **acquired by improper means**;

(2) Disclosure or use of a trade secret of another without the express or implied consent of the other person by a person who did any of the following:

(a) **Used improper means** to acquire knowledge of the trade secret;

(b) At the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret that the person acquired was derived from or through a person who had **utilized improper means** to acquire it, was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use, or was derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use;

(c) Before a material change of their position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

(Emphasis added).

Further, "improper means" is defined by the Act as "theft, bribery, misrepresentation" and other listed culpable conduct listed in the Act. O.R.C. § 1333.61(A). Clearly, the Ohio Uniform Trade Secrets Act contemplates specific forms of misconduct as a trigger to the law's protections. It is clearly theft when an employee takes an employer's written customer list for the employee's own use in subsequent employment. Such conduct is also a "misappropriation" by definition, warranting the Act's legal protections.

The acquisition of information about an employer's customers by an employee through nothing more than his or her honest labor is not theft, misappropriation, or a morally culpable act. In the case at bar, it was undisputed and found by the Magistrate that the Appellant misappropriated nothing from the Appellee:

> Mr. Minor also testified that he was not aware of Martin's taking any physical documents or items from Plaintiff when he resigned. According to Minor, Martin only left with his memory, although this included knowledge of those clients of Plaintiff, as well as their respective plans, upon which he personally performed work. Mr. Martin testified similarly and further stated that in order to avoid any appearance of impropriety, he left behind his rolodex, even though he brought it when he first started with Plaintiff.

(Appx. 43.)

The Tenth District is wrong to equate theft of a written list with an employee leaving with his memory. The Seventh District Court of Appeals has also recognized this important distinction based on the lack of culpability. In R.G. Eng'g & Mfg. v. Rance, (Sept. 25, 2002), Columbiana App. No. 01-CO-12, 2002-Ohio-5218, 2002 Ohio App. LEXIS 5264 at *45, unreported, the Seventh District addressed a manufacturer who brought action against a former co-owner who set up a competing business using a customer list from memory. Regarding the trade secret claim, the court found no violation of Ohio law:

> Even if R.G. Engineering's customer list and pricing information were considered trade secrets, appellants failed to establish that Rance acquired that information through **improper means**. By all accounts, Rance and Garrett were 50/50 partners, presumably giving them equal rights to that information. Also, Garrett opined that Rance did not take a written list from R.G. Engineering, but rather used only what he had remembered from the business.

Id. at 6. (Emphasis added).

Other federal and state courts have reached similar conclusions having addressed this distinction between the taking of a written list as opposed to leaving with only memory and experience. In AMP Inc. v. Fleischhacker, (7th Cir. 1987), 823 F. 2d 1199, 1205, the Court of Appeals for the Seventh Circuit, noted that:

> [I]nformation derived by an employee "from his access to the collective experience of [his employer] . . . comprises general skills and knowledge acquired in the course of employment. Those are things an employee is free to take and to use in later pursuits, especially if they do not take the form of written records, compilations or analyses. . . . Any other rule would force a departing employee to perform a prefrontal lobotomy on himself or herself. It would disserve the free market goal of maximizing available resources to foster competition. . . . [I]t would not strike a

proper balance between the purposes of trade secrets law and the strong policy in favor of fair and vigorous business competition.

In Di Angeles v. Scauzillo, (1934), 287 Mass, 291, 298-299; 191 N.E. 426, 433-434 a Massachusetts court denied injunctive relief for a employer against its former employee regarding use of customer information. The court noted the significance of the possession by an employee of a written list of his former employer's customers, as distinguished from the retention of their names solely in memory. The court reasoned that a distinction exists in the fact that the employer is the owner of the written paper, though wholly or partly prepared by the employee, and the fact that the list of customers was copied or written out in violation of a duty to the employer. The court further suggested that in carrying off the written list, the employee was carrying off something more than experience gained by him in the business. Id.

Further, in the often quoted case of Peerless Pattern Co. v Pictorial Review Co., (App. Div. 1911), 147 A.D. 715, 717-718, a New York court refused to issue injunctive relief to a employer, noting that it was not alleged that the former employee made out or copied any lists of customers, and that it only appeared that the former employee undertook to use in his new employment the knowledge that he had acquired in the old. The court stated that if it involves no breach of confidence, it is not unlawful; "for equity has no power to compel a man who changes employers to wipe clean the slate of his memory." Id.

In a later New York case, Eisenstaedt v. Schweitzer, (App. Div. 1957), 13 Misc.2d 703, 704-705, the court noted as a general rule, absent a breach of an express contract or a fiduciary duty, or absent any fraud, an employee who has left his employment will not be restrained from competing with his former employer, and where there is no written contract forbidding competition, a former employee may make use of customer information made up from his memory.

Lastly, an Illinois court refused to bar a former employee from soliciting former customers absent a showing of fraud. American Cleaners & Dyers v. Foreman, (Ill App. Ct. 1929), 252 Ill.App. 122, 126. In American Cleaner & Dyers, the court concluded that the weight of authority supported the view that in the absence of an express contract, equity will not enjoin an employee after the termination of his employment. The employee may solicit business from the customers of his former employer where no list of names was taken and no fraud committed. Id.

Like these cases, Appellant Martin having left with only his memory of customers, violated no written contract, committed no theft, no fraud, and engaged in no misappropriation under Ohio law. The Tenth District decision treating him as if he had should be reversed and the Eighth District's holding taking into account this difference in business ethics, should be adopted as the law of Ohio.

c. The employer does not have the right to control the experience or memory of its former employees absent a contractual agreement.

To adopt the Tenth District's reasoning that a written list is the same as memory would allow the employer to control the former employee's memory and experience after the fiduciary relationship has ended. This is counter to Ohio precedent that, absent a contract to the contrary, the fiduciary relationship ends with the employment relationship.

During the employment relationship in Ohio, this Court has correctly suggested that current employees owe a fiduciary duty to their employers. See Connelly v. Balkwill, (1954), 160 Ohio St. 430, 440. Such a duty exists for the duration of employment. See Sayyah v. O'Farrell (Apr. 30, 2001), Brown App. No. CA2000-06-017, 2001 Ohio App. LEXIS 1914 at *7, unreported. See also Staffilino Chevrolet, Inc. v. Balk, (7th App. Dist. 2004), 158 Ohio App.3d 1, 2004-Ohio-3633, 813 N.E.2d 940 at ¶44; Berge v. Columbus Cmty. Cable Access, (10th App. Dist. 1999), 136 Ohio App.3d 281, 326. This common law duty is breached when an employee competes with his or her current employer. Id. at 326. However, this Court has clarified that upon termination of employment, an employee is free to compete with his former employer absent a restrictive covenant. Curry v. Marquart, (1937), 133 Ohio St. 77, 79 paragraph one of the syllabus. This is founded upon the wise policy of the apprentice/master relationship where the apprentice provides his loyalty and labor in exchange for the master's pay and instruction. With this at-will employment relationship, the employer is aware that the employee may at any time, leave the relationship and compete directly with the employer. The employer either accepts this or chooses to modify it by a contractual agreement. The First Appellate District noted these historical underpinnings in Wiebold Studio, Inc. v. Old World Restorations, Inc., (1st App. Dist. 1985), 19 Ohio App.3d 246, 248.

> A former employee can use to his own advantage all the skills and knowledge of common use in the trade that he acquires during his

> employment. A person who enters employment as an apprentice and leaves it as a master cannot be enjoined from using his enhanced skills and knowledge in future employment.

Id. at 248.

Other jurisdictions that have addressed whether inherently memorized client information alone can be the basis of a trade secret violation have recognized the employee's right to his gained experience and knowledge. The United States Court of Appeals for the Eighth Circuit addressed the issues and reasoned as follows:

> In this case, neither Crisp nor the salesmen took any written customer information when they left Vigoro. They brought to Cleveland Chemical only their sales experience and their knowledge of the local customers. Absent an enforceable covenant not to compete, a former employer may not prevent a former employee from exploiting this kind of knowledge with a new employer. The former employer should not be permitted to achieve this anticompetitive objective indirectly through an overly-expansive definition of customer trade secrets. As the court said in Fleming Sales Co. v. Bailey, 611 F. Supp. 507, 514-15 (N.D. Ill. 1985):
>
> All the information [plaintiff] tries to wrap in the [Trade Secret] Act's mantle is nothing more than the kind of knowledge any successful salesman necessarily acquires through experience. In the Act's terms, it is information 'readily ascertainable by proper means' . . . . Nothing prevents such an employer from guarding its interests by a restrictive covenant. But it would really be unfair competition to allow the employer without such a covenant to obtain trade secret status for the fruits of ordinary experience in the business, thus compelling former employees to reinvent the wheel as the price for entering the competitive market.
>
> We affirm the district court's determination that Crisp did not misappropriate trade secrets or confidential customer information.

Vigoro Industries, Inc., v. Cresp, (8th Cir. 1996), 82 F.3d 785, 790.

In a similar theme, the Superior Court of New Jersey in Nat'l Title Bd. Corp. v. Panelboard Mfg. Co., (Ch. Div. 1953), 99 A.2d 440, 443-440 also addressed the sound public policy of not prohibiting use of employees' memory to create a non-compete agreement where none existed:

> On the other hand, an employee is not compelled to shut his eyes to what goes on in his place of employment nor is he required to wipe his memory clear of those matters which he learns during the course of that employment. So long as no contract express or implied prohibits him from divulging the information learned during his employment, the employee may use that information for his own benefit. Carver v. Harr, 132 N.J. Eq. 207 (Ch. 1942); Boost Co. v. Faunce, *13 N.J. Super. 63 (Ch. Div. 1951),* affirmed *17 N.J. Super. 458 (App. Div. 1952).*
>
> "Sound public policy encourages employees to seek better jobs from other employers or to go into business for themselves. Contracts which hinder their so doing are strictly construed and rigidly scanned and are declared void unless necessary for the reasonable protection of the employer. In the absence of agreement, as the decisions above cited demonstrate, there must be a very strong case before the court will restrain the former employee from competing with his former employer." Haut v. Rossbach, *supra.*
>
> Id.

To equate the restrictions of using a misappropriated written list with the mere use of an employee's memory would be directly counter to Ohio's adopted principle that a former employee is free to compete with his former employer absent a non-compete agreement. To adopt the Tenth District's holding would be to unjustly allow the master to enjoin the former apprentice without an existing fiduciary duty or any contractual obligation.

d. Courts should not protect employers who choose not to protect themselves.

At any time during the 4 years of the Appellant's employment with the Appellee, the Appellee could have requested that Appellant Martin sign either a non-compete agreement, a confidentiality agreement, or a trade secrets agreement limiting the Appellant's use of his knowledge of the Appellee's customers for a reasonable period after his termination. The Appellee simply chose not to do so. As a general rule, the courts should not substitute its judgment for that of the employer and will not second-guess the business judgments of employers regarding personnel decisions. Wilson v. Northcoast Behavioral Healthcare Sys., (Ohio Misc. 2005), 2005 Ohio 1291, 2005 Ohio Misc. LEXIS 108 at * 18.

It is well settled in Ohio that reasonable non-compete agreements are enforced. See Levine v. Beckman, (10th App. Dist. 1988), 48 Ohio App.3d 24, 27, 548 N.E.2d 267, 270 (Ohio follows rule of reasonableness in enforcing non-compete agreements). Further, those agreements that are unreasonable are "enforced to the extent necessary to protect an employer's legitimate interest." Raimonde v. Van Vlerah, (1975), 42 Ohio St.2d 21, paragraph one of the syllabus. A covenant restraining an employee from competing with his former employer upon termination of employment is reasonable if the restraint is no greater than is required for the protection of the employer, does not impose undue hardship on the employee, and is not injurious to the public. See Id. paragraph two of the syllabus. See also Rogers v. Runfola & Assoc., Inc., (1991), 57 Ohio St.3d 5, 8, 565 N.E.2d 540, 543.

Instead of leaving the Appellee to the consequences of his own decision-making, the Tenth District expanded the definition of trade secrets to include mental information retained and used by the Appellant, resulting in a unilateral court-imposed non-compete agreement. The effect is to apply an overbroad interpretation of the Uniform Trade Secrets Act to protect an employer where it chose not to protect itself. Such a broad interpretation should be rejected and reversed.

e. Reasonable steps to protect confidentiality of a mental list of customers should be, at minimum, the employer's procurement of a written non-compete agreement.

As stated above, a written list can be physically destroyed, secured, and if taken, returned; whereas, a "mental list" cannot be physically controlled except by the agreement of the individual whose mind it inhabits. The act of locking a door, file cabinet or maintaining passwords on computers has little relevance to reasonably securing information retained in an employee's mind. As such, what is deemed reasonable for an employer to maintain the secrecy of such mental information should require a different, heightened standard from that of a physical written list. That standard should be the procurement of a non-compete or confidentiality agreement between the employee whose memory is at issue and the employer. This is mandated by Ohio's Uniform Trade Secrets Act. O.R.C. § 1333.61(D)(2), which defines a trade secret to included only information that is the "subject of efforts that are reasonable under the circumstances to maintain its secrecy."

There is no presumption that any particular idea imparted to or acquired by an employee is a trade secret unless the possessor takes active steps to maintain the secrecy. Applying the statute, *a trial court should examine those facts which show the extent to which information is known outside the business and the precautions taken to guard the secrecy of information* (Emphasis added).

Water Mgt., Inc., v. Stayanchi, (1984), 15 Ohio St.3d 83, 86; See also Pyromatics, Inc., v. Petruziello (8th App. Dist. 1983), 7 Ohio App.3d 131, 134.

This Court clearly stated that one of the adopted six factors to consider in analyzing a trade secret claim should be "the precautions taken by the holder of the trade secret to guard the secrecy of the information . . ." State ex. rel. The Plain Dealer v. Ohio Dept. of Ins., (1997), 80 Ohio St.3d 513, 524-525, citing Pyromatics, Inc., 7 Ohio App.3d at 134-135.

Again, the only precautions to be taken with regard to an employee's knowledge of customers is a non-compete or confidentiality agreement. In the case at bar, since the Appellee employer requested no such agreements, no trade secret can be established.

This idea was indirectly addressed in Sonkin & Melena L.P.A. v. Zaransky, (8th App. Dist. 1992), 83 Ohio App.3d 169, 182. In Zaransky., the court held that the burden is on the party claiming information as a trade secret to "take affirmative steps to protect whatever information it deems secret before relief can be granted." Id. at 182. The court in Zaransky further held that a party's attempt to inform customers about a change in employment is not unreasonable nor a violation of the Trade Secrets Act **where there is no non-compete provision precluding the effort** and where the customer list is not a trade secret. Id. at 182.

It has also been held that there exists a sound public policy for not prohibiting use of an employee's memory to create a non-compete agreement where none existed and it has been held that "[S]o long as no contract express or implied prohibits him from divulging the information learned during his employment, the employee may use that information for his own benefit." Carver v. Harr, (N.J. Ch. 1942), 132 N.J. Eq. 207, 209; Boost Co. v. Faunce, (Ch. Div. 1951), 13 N.J. Super. 63, 67-68, affirmed 17 N.J. Super. 458 (App. Div. *1952).*

Accordingly, since the Appellee failed to require an agreement with the Appellant to restrict use of mental customer information after employment, there was no violation of Ohio's Trade Secret Act and the Tenth District decision should be reversed.

f. Applying The Tenth District's holding that a written list is as good as a mental list would impose an overbroad constructive non-compete agreement that Ohio law is bound not to enforce.

As a result of the decision of the Tenth District decision appealed from, the employee's memory is not his own. The result is that an employee's *memory* of a client list becomes the employer's asset, and a perpetual non-competition clause is created preventing the employee from using the memory of his employer's client list in a manner which competes with his former employer.

It is established in Ohio that non-competition agreements in employment contracts are enforceable only to the extent they (1) are necessary to protect the employer's legitimate interests, (2) do not impose undue hardship on the employee, and (3) are not adverse to the public interest. Rogers v. Runfola & Assoc., Inc., (1991), 57 Ohio St.3d 5, 8 565 N.E.2d 540, 543; Raimonde v. Van Vlerah (1975), 42 Ohio St.2d 21, 25, 325 N.E.2d 544, 547 paragraph two of the syllabus. See also Brentlinger Enterprises v. Curran (10th App. Dist. 2001), 141 Ohio App.3d 640, 645-646, 752 N.E.2d 994, 998-999. Various factors are considered when determing whether a non-compete agreement is reasonable, including the agreement's geographic and time limitations. Raimonde, supra, 42 Ohio St.2d at 25.

If the Tenth District's view prevails, Ohio employers who cannot obtain an employee's consent to a non-compete clause can still unilaterally create one by claiming that the memory of a customer list is a proprietary secret which the employee cannot use ever, in the course of the employee's future employment. If the Tenth District's decision is adopted as the law of Ohio, we will see employers adopt a simple recipe for post-employment restriction. First, the employer simply informs the employees that its customer information is confidential and secret. Second, the employer locks it doors at night and includes passwords to its computers. Third, the employer provides to its current employees the customer information which in encourages the employees to review. Fourth, if the employee quits and solicits any of its customers at any time in the geographic region, the employer then sues under the Uniform Trade Secrets Act on the basis of misappropriation of a memorized customer list. There will be no need for non-compete agreements or those pesky geographic and time limitations.

This end-run-around an employee who did not agree to a non-competition agreement actually binds the employee more severely than if the employee had agreed to enter into a non-competition agreement in the first place. This Court has held that non-competition agreements must be limited in scope and duration to that which is reasonable pursuant to the facts of the case. Raimonde, 42 Ohio

St.2d at 25-26. The decision of the Tenth District Court of Appeals imposes a non-competition agreement that is unlimited in duration and is absolute in scope. The use of Ohio's Trade Secrets Act to impose a non-competition agreement voids this Ohio law and should be rejected and reversed in favor of the Eighth and Sixth District holdings.

g. Other State and Federal Courts Have Correctly Supported the Eighth and Sixth Districts' Position

Ohio's Uniform Trade Secrets Act specifically directs that its provisions be applied and construed in a manner that is consistent with all of the states enacting the Act. O.R.C. § 1333.68 states that "[S]ections 1333.61 to 1333.69 of the Revised Code shall be applied and construed to effectuate their general purpose to make uniform the law with respect to their subject among the states". Construing whether other states afford trade secret protections to former employee's memory, the Tenth District's overbroad interpretation of the Uniform Trade Secrets Act has been soundly rejected by at least ten other states and the federal courts located in those states. Empire Steam Laundry v. Lozier, (Cal. 1913) 165 Cal. 95, 98; AmeriGas Propane v. T-Bo Propane, (S.D.Ga, 1997), 972 F.Supp. 685; Wireless Specialty Apparatus Co. v. Mica Condenser Co., (Mass. 1921), 131 N.E. 307; Hoskins Mfg. Co. v. PMC Corp., (E.D. Mich. 1999), 47 F. Supp. 2d 852; Hackett v. A.L. & J.J. Reynolds Co., (App. Div. 1900), 62 N.Y.S. 1076; Abalene Exterminating Co. of N.J., Inc., v. Elges, (N.J. 1945), 43 A.2d 165; Excelsior Laundry Co. v. Diehl, et al., (Sup. Ct. New Mexico 1927), 32 N.M. 169, 252 P. 991, 1927 N.M. LEXIS 7; Spring Steels, Inc., v. Molloy, (Pa. 1960), 162

A.2d. 370; Utah Med. Prods., Inc. v. Clinical Innovations Assocs. Inc., (D. Utah 1999), 79 F. Supp.2d 1290.

Both Georgia and New York are particularly clear on this rejection. In AmeriGas supra, the U.S. District Court applying Georgia law stated protection afforded by Georgia's Trade Secrets Act does not extend to information about customers recorded in intangible form, i.e., in memory of former employees. Id. (O.C.G.A. § 10-1-761(4). In Eisenstaedt v. Schweitzer, (N.Y. Misc. 1958) 13 Misc.2d 703, 704-705 the court stated the general rule that absent a breach of an express contract or a fiduciary duty, or absent any fraud, an employee who has left his employment will not be restrained from competing with his former employer. Further, the court held that where there is no written contract forbidding competition, a former employee may make use of lists of customers made up from his memory.

These other states, as well as our own Eighth and Sixth Appellate Districts, properly balance the competing interest between the right to be protected from unfair competition and the employee's right to the unhampered pursuit of livelihood. The proper balance is found in the holdings adopted by the Eighth and Sixth Districts and other states, that customer lists compiled by former employees strictly from memory may be used absent a restrictive covenant to the contrary.

Proposition of Law No. 2:

Customer information which is publicly posted on the Internet should not be designated as a trade secret.

The Tenth District Court of Appeals accepted the decision of the common pleas magistrate that information publicly posted on the Internet could be protected confidential information depending on how difficult it is to find that information. In so ruling, the court created the legal concept of a private needle in a public haystack.

The Magistrate noted the admission by the Appellee that each of his client's could be accessed by obtaining their "Form 5500" through the internet:

> Mr. Minor further acknowledged that all 5500 forms are available for viewing anytime on the internet through a site entitled freeErisa.com, but testified that he personally does not utilize this resource. The witness further recognized, after reviewing printed out pages from said website, that a browser could perform searches in the "Provider/Client Database" or by the 5500 form filings. *Defendant's Exhibits F,* G, *H,* 1, & 1. Mr. Minor agreed with the general assumption that each of the 15 aforementioned clients could be entered into the database and the corresponding 5500 form could then be accessed through the "view it" link.

(Appx. 45.)

The issue before the Court is this: What makes that needle private? In an era where technological skills vary with education, and perhaps even age, is it equitable to declare some public information on the Internet "private"? Is difficulty to access information the same for everyone? This leads to the question before the Court; what is the "difficulty to access" standard in Ohio? And more importantly, should there be such a standard? The Tenth District argues that Appellant's knowledge of his former employer's client list assisted him with retrieving information from the Internet in a manner that would be more difficult for a non-employee of Appellee. Thus, the concept of "difficulty" was the ability to obtain results, not the accessibility of the information. The information was and is available on a web site entitled www.freeERISA.com, a public web site with no barrier to access.

The struggle between trade secrets and the Internet is a new legal conflict. "Current trade secret law is ill equipped to handle this problem, either to prevent or to compensate for [the posting of trade secret information]". Bruce T. Atkins, <u>Trading Secrets in the Information Age: Can Trade Secret Law Survive the Internet?</u> 1996 U. Ill. L. Review 1151. However, courts that have addressed the issue of the Internet and the posting of trade secrets have come down on the side of public domain. "Once a trade secret is posted on the Internet, it is effectively a part of the public domain, impossible to retrieve." <u>Id.</u> at Note 113. And this comes from a legal analysis of illicit postings by disgruntled employees. The information at issue in this case comes from a *public* source of information, compiled from federal forms submitted by ERISA plan administrators as required by federal law.

Appellant solicited potential customers by locating client names and addresses from public information listings on the Internet, which provided the names of companies with ERISA plans, their addresses and telephone numbers as well as the names of the plan administrators. The web site in issue culls this information from governmental forms known as "Form 5500" filed by plan administrators as required by federal law. A search browser permits searches within the web site in a variety of different methods. A few of the client's Appellant Martin solicited were the Appellee's current or former clients who were listed on www.freeERISA.com via their "Form 5500" filings.

A legal review of the "difficulty of access" standard creates a long, legal slippery slope. Difficult for whom? And how? The evidence of record demonstrates that a browser on the freeERISA.com web site permits a viewer to access client information by a variety of different searches, including zip code, mailing address, and the name of any company with Form 5500 clients. Thus, it was testified to at hearing, all Appellant had to do was type in Appellee's name to obtain the information he sought and indeed, information about Appellee's clients did appear. (Appx. 45-46.) The common pleas court made the distinction that not all of Appellee's clients appeared through this search browser and therefore, access to client information was "difficult".

But the court made its error by focusing on the *result* of the search, not the difficulty of access to the information. *Accessibility* is the focus of R.C. 1333.61. "Accessibility" is defined by R.C. 1333.61 as "not being generally known to and not being readily ascertainable by proper means". For those searching for ERISA plan administrators, it is undisputed pursuant to the facts of this case that the web site is readily ascertainable through means of using the Internet. (Appx. 45.) Within this particular web site is a search browser that permits access to Appellee's clients. (Appx. 47.) That a search drew only a portion of Appellee's client list was dismissed as a poor result and therefore, not "readily ascertainable".

But what about a different plan provider other then Appellee? Certainly search results would be different depending on the provider or zip code being searched. A results-oriented focus instead of an, "accessibility" focus does not meet the definition of "trade secret". Indeed, in terms of the Internet, the analysis is turned upside down, with accessibility being the last consideration.

Access to the information through the site's existing browser is available to anyone who enters the web site and enters in a zip code, provider name, or mailing address. No access codes or fees are necessary to enter the site. Neither the common pleas court nor the Tenth District noted that while the Appellant is prohibited from using this public information, anyone else who enters the web site, uses the browser, and retrieves the same Al Minor & Associates Inc. client information listed, is free to contact these clients. Access to the information and its competitive use is free, open and available to anyone but the Appellant.

Most courts outside of Ohio do not struggle with a "difficulty of access" standard. In an action similar to the case herein, Prof'l Detailers v. Hemmerick, (Cal App. Dist. 2002), 2002 Cal. Unpub. App. LEXIS 9785 at *12-13, a California appeals court held that memorized client information that was already posted on the Internet was not a protected trade secret:

> There is no evidence that Hemmerick took any written information such as customer lists or rolodexes from PDI. There is evidence that the information Hemmerick had in his head and is accused of improperly using was readily available to the public (or anyone wanting to go into the car detailing business). The prospective customers are the major automobile manufacturers--a finite and small group. Although Hemmerick knew the names of specific

> contact people from his years of dealing with them, he testified the information could easily be obtained over the Internet or through a telephone call to the automobile manufacturer.

Id.

In Wentworth Labs. Inc. v. Probe 2000, Inc., (Conn. App. Ct. 2002), 2002 Conn. Super. LEXIS 3671 at *19, the court held, in part, that the materials in issue were not protected trade secrets because "the materials are readily ascertainable by others through proper means, such as the internet...". Id.

The Supreme Court of Arkansas also did not struggle with the "difficulty of access" standard the Tenth District is imposing. If the information in issue was posted either in whole or in part on the Internet, then trade secret protection does not apply. Weigh Sys. S. Inc., v. Mark's Scales & Equip., Inc., (Ark. 2002), 347 Ark. 868, 874-875. The Supreme Court of Arkansas specifically held in Weigh Systems that:

> WSS contends that its customer lists, vendor list, pricing information, service agreement inventory checklist, marketing plans, and computer software constitute trade secrets under the six criteria outlined in Saforo, supra, and therefore this information is a trade secret pursuant to the Arkansas Trade Secret Act. To determine whether WSS had trade secrets that appellees misappropriated, it is necessary to consider the six factors articulated in Saforo to the facts surrounding this case.
>
> First, we determine the extent to which WSS's customer lists, vendor list, pricing information, service agreement inventory checklist, marketing plans, and computer software were known outside the business. WSS concedes that some or all of its customer lists appear in directories or are available on the internet. WSS also concedes that the vendors on its vendor list may be located using the internet.
>
> Id. at 875-876.

The Weigh Systems court concluded:

> Finally, we consider the ease or difficulty with which WSS's customer lists, vendor list, pricing information, service agreement inventory checklist, marketing plans, and computer software could be properly acquired or duplicated by others. Once again, we note that the information available in WSS's customer lists and vendor list was available on the internet.

Id. at 878.

The Tenth District held that Appellee made some internal effort to "protect" his information with internal office policies and in doing so, Appellee negated a discussion of the fact that his information existed on the Internet. The Supreme Court of Arkansas rejected this analysis, holding that the burden is on the employer to secure a non-competition agreement and if the employer does not, the employee is free to use the Internet in a competitive way. The court "refused to recognize information as a trade secret when the company made no effort to restrain disclosure of the information post-employment." Id. at 876. Once again, the proper method of restraining an employee from using information, even public information, against an employer is to have the employee execute a non-compete agreement, not to create an *implied* non-compete with which the employee did not agree.

As long as the client information is somewhere in the public domain, trade secret status cannot be awarded. In Classic Limousine Airport Service, Inc. v. Alliance Limousine LLC,(Conn. App. Ct. 2000), 2000 Conn. Super. LEXIS 2077 at *8-9, unreported, the court reviewed a similar issue:

It is true that a customer list may be a trade secret. "If in any particular business the list of customers is, because of some peculiarity of the business, in reality a trade secret and an employee has gained knowledge thereof as a matter of confidence, he will be restrained from using that knowledge against his employer. On the other hand, where the identity of the customers is readily ascertainable through ordinary business channels or through classified business or trade directories, the courts refuse to accord to the list the protection of a trade secret." *Town & Country House & Homes Service v. Evans, supra,* 150 Conn. 320.

The customer list here consisted of the names of the corporate clients, the contact names and telephone numbers, billing history and customer profiles containing customer preferences. This information was stored on Classic's computer software, Limoware. It was obtained by the plaintiff through advertisement, public information and directories, cold calling and from lists of companies. The contact names and profiles and preferences were obtained from the companies themselves, by having them return information sheets which were then input into the computer. Oyugi formed his business in the same manner, except that he already knew the names of many of the companies and contacts from his experience with Classic. He contacted no customers prior to his severance from Classic, nor is there evidence that he brought with him when he left any written materials or copies thereof, or that he ever accessed the plaintiffs' computers after he left Classic's employ. From his constant, close and sometimes personal relationships with his former clients, he retained in his memory the names of many companies and people. See *Tricoastal Lanthanides, Inc. v. Chang,* 1995 Conn. Super. LEXIS 2605, Superior Court, judicial district of Stamford/Norwalk at Stamford, Docket No. CV95 0144760 (September 11, 1995) (D'Andrea, J.).

But what clearly defeats the plaintiffs' claims is that the information sought to be protected is not entitled to "trade secrets" status. To be a trade secret, a customer list must derive "independent, economic value . . . from not being generally known to, and *not being readily ascertainable* by proper means by other persons . . ." (Emphasis added.) Connecticut General Statutes 35-51(d) Besides the names of the companies, the profiles would contain the home address and phone numbers of the passengers, sometimes whether he or she had a driver preference, directions to his or her house, and sometimes whether a stretch limo or a town car was preferred.

Competition in the limousine service business is substantial. There are literally hundreds of companies in Fairfield County whose employees require transportation to New York airports, and there is

> nothing unique about the business. Companies are readily identified by reference to directories, phone books, the Internet and by pounding the pavement. No companies have exclusive contracts with any one limousine service company, but often avail themselves of the service of several. In fact, some of the defendants' customers still retain Classic on the list of limousine services to be used.

Id.

Thus, there is no restriction from using the Internet to access remembered client names in order to obtain their addresses in an effort to compete with a former employer. As the Supreme Court of California held in DVD Copy Control Assn., Inc. v. Bunner, (Cal. 2003) 31 Cal. 4th 864, 881:

> Trade secrets are a peculiar kind of property. Their only value consists in their being kept private. Thus, the right to exclude others is central to the very definition of the property interest. Once the data that constitute a trade secret are disclosed to others, or others are allowed to use those data, the holder of the trade secret has lost his property interest in the data.

That Appellant obtained poor results from his search has somehow become the focus of this case when, in reality, the focus should properly be on the public access of the information. The information was publicly listed and is publicly available to anyone seeking the information, *except the Appellant* merely because he takes his memory away from his employment relationship. By so holding, the Tenth District is creating an implied fiduciary relationship extending beyond the termination of that relationship, which other courts have explicitly rejected.

The Connecticut court in Classic Limousine, supra, also refused to extend the fiduciary relationship between the employer and employee in issue:

> Finally, the plaintiffs' claim of a breach of fiduciary duty by Oyugi must fail. There is no evidence whatsoever that he either began a new business, or approached or solicited clients, drivers or

> employees of Classic while he was still employed there. After his employment ended, his fiduciary duty not to compete with Classic also ended.
>
> Id.

We are still a state divided on the issue of the use of an employee's memory on a competitive basis after the fiduciary employment relationship has ended. And we are further a state in need of clear direction on use of an employer's information which is posted on the Internet after that relationship is over.

CONCLUSION

For the foregoing reasons, Appellant Martin respectfully requests that this Court reverse the decision of the Tenth District Court of Appeals in favor of the Eighth District's decision holding that in the absence of a restrictive covenant or fraud, customers of a former employer, the names of whom are in the memory of the former employee, may be solicited.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the Merit Brief of Appellant was sent to the below counsel for Appellee by regular U.S. Mail, postage prepaid, on this 23rd day of May 2007:

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Samuel N. Lillard

IN THE SUPREME COURT OF OHIO 07-0121

ROBERT E. MARTIN,	:	Sup. Ct. Case No. 06-2340
APPELLANT	:	On Appeal from the Franklin County Court of Appeals, Tenth Appellate District
v.	:	
AL MINOR & ASSOCIATES	:	Court of Appeals Case No. 06 AP-217
APPELLEE.	:	

NOTICE OF CERTIFIED CONFLICT

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NOTICE OF CERTIFIED CONFLICT

Now comes Appellant, Robert E. Martin, by and through counsel, and hereby gives notice to the Supreme Court of Ohio, pursuant to SCt R IV, §1, that on January 11, 2007, the Tenth Appellate District issued an order in Al Minor & Associates, Inc., v. Robert E. Martin, (Jan. 11, 2007), Franklin App. No. 06AP-217 certifying a conflict with a decision of the Eighth Appellate District in Michael Shore & Co. v. Greenwald, (Mar. 21, 1985), Cuyahoga App. No. 48824.

The Tenth Appellate District certified the following question as being in conflict between the two aforementioned decisions:

> Whether customer lists compiled by former employees strictly from memory can be the basis for a statutory trade secret violation.

A copy of the Tenth Appellate District's January 11, 2007 Memorandum Decision on Motion to Certify Conflict and the corresponding Journal Entry are attached hereto. A copy of the decision in Michael Shore is also attached.

Appellant Martin has also previously filed a discretionary Notice of Appeal and Memorandum in Support of Jurisdiction with the Supreme Court of Ohio in this matter.

Respectfully submitted,

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Counsel for Appellant Martin

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Notice of Certified Conflict was sent by ordinary U.S. mail to counsel for Appellee, Barry A. Waller, Fry, Waller & McCann Co., L.P.A., 35 East Livingston Avenue, Columbus, Ohio 43215, on this 22 day of January 2007.

Samuel N. Lillard

1323/00

IN THE COURT OF APPEALS OF OHIO

TENTH APPELLATE DISTRICT

Al Minor & Associates, Inc.,	:	
Plaintiff-Appellee,	:	
v.	:	No. 06AP-217 (C.P.C. No. 03CVH-03-2696)
Robert E. Martin,	:	(REGULAR CALENDAR)
Defendant-Appellant.	:	

JOURNAL ENTRY

For the reasons stated in the memorandum decision of this court rendered herein on January 11, 2007, it is the order of this court that the motion to certify the judgment of this court as being in conflict with the judgment of the Court of Appeals for Cuyahoga County in *Michael Shore & Co. v. Greenwald* (Mar. 21, 1985), Cuyahoga App. No. 48824, is granted and, pursuant to Section 3(B)(4), Article IV, Ohio Constitution, the record of this case is certified to the Supreme Court of Ohio for review and final determination upon the following issue in conflict:

> Whether customer lists compiled by former employees strictly from memory can be the basis for a statutory trade secret violation.

BRYANT, BROWN, and FRENCH, JJ.

By [signature]
Judge Peggy Bryant

ON COMPUTER 12

IN THE COURT OF APPEALS OF OHIO

TENTH APPELLATE DISTRICT

Al Minor & Associates, Inc., :

Plaintiff-Appellee, :

v. : No. 06AP-217
(C.P.C. No. 03CVH-03-2696)

Robert E. Martin, : (REGULAR CALENDAR)

Defendant-Appellant. :

MEMORANDUM DECISION

Rendered on January 11, 2007

Fry, Waller & McCann Co., L.P.A., and *Barry A. Waller*, for appellee.

Law Office of Mowery & Youell, *Samuel N. Lillard*, and *Elizabeth J. Birch*, for appellant.

ON MOTION TO CERTIFY CONFLICT

BRYANT, J.

{¶1} Defendant-appellant, Robert E. Martin, moves this court pursuant to App.R. 25 for an order to certify a conflict between our decision in *Al Minor & Assoc. v. Martin*, Franklin App. No. 06AP-217, 2006-Ohio-5948, and those of the Eighth District Court of Appeals in *Ellison & Assoc. v. Pekarek* (Sept. 26, 1985), Cuyahoga App. No. 49560, *Michael Shore & Co. v. Greenwald* (Mar. 21, 1985), Cuyahoga App. No. 48824, and *Commonwealth Sanitation Co. of Cleveland, Inc. v. Commonwealth Pest Control Co.* (1961), 87 Ohio Law Abs. 550, on the following question:

> Whether customer lists compiled by former employees strictly from memory can ever by [sic] the basis of a trade secret violation.

{¶2} Pursuant to Section 3(B)(4), Article IV, Ohio Constitution, a court of appeals is required to certify a conflict when its judgment is in conflict with the judgment pronounced upon the same question by any other court of appeals in the state of Ohio. An actual conflict must exist between appellate judicial districts on a rule of law before certification of a case to the Supreme Court of Ohio for review and final determination is proper. *Whitelock v. Gilbane Bldg. Co.* (1993), 66 Ohio St.3d 594. It is not enough that the reasoning expressed in the opinions in the two courts of appeals is inconsistent; the judgment of the two courts must be in conflict. Further, the alleged conflict must be on a rule of law and not based on facts, as factual distinctions between cases do not serve as a basis for certifying a conflict. Id. at 599.

{¶3} In *Michael Shore*, an employee, prior to resigning from his employment, began taking steps to start his own company in the same line of business as his employer. After resigning, the former employee solicited and secured his former employer's clients. The trial court found the evidence failed to establish a restrictive covenant but held that the former employee's activity prior to his resignation constituted a breach of loyalty and tortious interference with contract. On appeal, the court held the former employee's conduct to be proper unless the employer established, among other things, that the former employee used trade secrets or confidential information from his former employer's trade or business. The appellate court held that because the former employee compiled a list of a select group of former clients using nothing more than his memory, the client list was not a trade secret or confidential information.

{¶4} Here, like the employee in *Michael Shore*, defendant formed his own company in the same line of business as Al Minor & Associates ("AMA") and left AMA without a client list or any other physical document, but retained his knowledge of AMA's clients and their respective needs pertaining to third-party pension administrative services. Shortly after resigning, defendant solicited and secured 15 clients that AMA formerly serviced. A magistrate found defendant liable to AMA for misappropriation of trade secrets and the trial court, after overruling AMA's and defendant's objections to the magistrate's conclusions of law, approved and adopted the magistrate's decision in its entirety.

{¶5} Defendant's appeal, in part, contended AMA's client list and information were not trade secrets because defendant acquired the information from memory. In support, defendant cited *Ellison* and *Michael Shore* for the proposition that customer lists a former employee compiles strictly from memory are not trade secrets. Rather than following that rule of law set forth by the Eighth District Court of Appeals, this court instead relied upon *Mesarvey, Russell & Co. v. Boyer* (July 30, 1992), Franklin App. No. 91AP-974, a decision of our own court where we stated that "[w]hether created from a writing or from memory, a client list is a statutory trade secret under R.C. 1333.51(A)(3)." Applying the rationale of *Boyer* to our determination that AMA's client list fit the statutory definition of a trade secret under R.C. 1333.61(D), this court concluded AMA's client list that defendant memorized warranted trade secret status.

{¶6} Because this court in the present appeal and the Eighth District Court of Appeals in *Michael Shore* reached opposite conclusions on the same rule of law, our judgment in this case conflicts with the judgment in *Michael Shore*. Although the same rule of law was also utilized in *Ellison* and *Commonwealth Sanitation*, the rule of law was not essential to the judgment of those cases and thus our judgment in this case does not conflict with them. *Whitelock*, supra.

{¶7} Accordingly, we grant defendant's motion to certify the conflict to the Supreme Court of Ohio because our decision in the present appeal conflicts with the judgment of the Eighth District in *Michael Shore* on the following question:

> Whether customer lists compiled by former employees strictly from memory can be the basis for a statutory trade secret violation.

Motion to certify conflict granted.

BROWN and FRENCH, JJ., concur.

C
Only the Westlaw citation is currently available.

CHECK OHIO SUPREME COURT RULES FOR REPORTING OF OPINIONS AND WEIGHT OF LEGAL AUTHORITY.

Court of Appeals of Ohio, Eighth District, Cuyahoga County.
MICHAEL SHORE & COMPANY, Plaintiff-Appellee,
v.
Marc S. **GREENWALD**, Defendant-Appellant.
48824.

March 21, 1985.

Civil Appeal from Common Pleas Court, Court Case No. 068,627

Marvin L. Karp, David L. Lester, Ulmer, Berne, Laronge, Glickman & Curtis, Cleveland, for plaintiff-appellee.

John E. Martindale, Benesch, Friedlander, Coplan & Aronoff, James L. Oakar, Gary D. Greenwald, Cleveland, for defendant-appellant.

JOURNAL ENTRY AND OPINION

PARRINO, Presiding Judge.

*1 Defendant Marc Greenwald appeals from the trial court's judgment in favor of plaintiff Michael Shore & Company. For the reasons adduced below, the trial court's judgment is reversed.

I.

The record reveals the following relevant facts. In 1974 Marc Greenwald became associated with an accounting firm operated by partners Michael Shore and Robert Shirley. Greenwald, an accountant, was employed by the firm to perform audits and tax return work for the firm's clients. In 1977 the firm incorporated under the name of Michael Shore & Company, with Michael Shore owning 80% of the corporate stock and Robert Shirley owning approximately 20% of the corporate stock. Marc Greenwald continued to work for the firm as an employee.

By 1981 Greenwald had become a senior employee. In July of 1981, Greenwald received a job offer to go elsewhere and informed Michael Shore of his intention to leave the company. Shore convinced Greenwald to stay by offering him part ownership of the corporation.

Discussions over the terms of such ownership continued for months, although nothing was put in writing. In the meantime, Greenwald had been assigned to straighten out the "Vermilion Practice." [FN1] Over the next two years Greenwald continued this work despite the fact that no agreement regarding his share of ownership in the corporation had been reached. Finally, in September 1983, Greenwald received a written proposal from Michael Shore.

Greenwald considered the proposal to be inadequate, and as a result, again began to consider leaving Michael Shore & Company. Sometime in October of 1983, Greenwald decided to leave the company. At that point, Greenwald, on his own time, began taking steps necessary to start his own business. On October 21, 1983, he purchased his own computer. On November 9, 1983, he secured $5,000 in financial assistance from his father. On November 21, 1983, he executed a lease for office space. On November 24, 1983, he began typing letters and file authorization forms regarding his departure from the plaintiff corporation. Finally, on November 28, 1983 he purchased office furniture.

On December 1, 1983, Greenwald resigned and, thereafter, began hand delivering letters to former clients [FN2] together with authorization forms. Many of the people contacted decided to leave Michael Shore & Company and go with Greenwald. On December 7, 1983, Greenwald came to the offices of Michael Shore & Company, with approximately 25 forms authorizing Greenwald to obtain their respective files. Over the next few days, more such forms were submitted.

On December 27, 1983, the plaintiff filed a complaint seeking injunctive relief. The plaintiff sought to stop Greenwald from soliciting or servicing the clients of his former employer. The complaint was later amended to include a request for monetary damages.

A bench trial began on April 5, 1984. At the trial, the plaintiff argued that the defendant had breached a restrictive covenant, and had stolen the Vermilion Practice. The evidence submitted disclosed that many of the Vermilion clients had in fact chosen to go with Greenwald. Further, two of the signed authorization forms were dated in early October, two months before Greenwald's resignation. Greenwald argued that no restrictive covenant existed and that he had a right to solicit clients after his resignation. [FN3]

The trial court held that Greenwald's activity prior to his resignation, including "clear evidence" that he had solicited Vermilion clients, constituted a breach of loyalty and tortious interference with contract. The court also held that the evidence did not establish the existence of a restrictive covenant.

*2 The court then proceeded to award the plaintiff $62,500 in damages, holding that this was the reasonable value of the business taken from the defendant.

The defendant filed a timely appeal, raising two assignments of error:

II.

First assignment of error:

"The trial court erred in holding that defendant employee breached his common law duty of loyalty, good faith, fair dealing, and non-competition by making preparations to go into business himself while still employed by plaintiff even though his employer's clients were not solicited until after his resignation."

The law regarding an employee's right to compete with a former employer is set forth in the syllabus of *Curry v. Marquart* (1937), 133 Ohio St. 77, which provides as follows:

"In the absence of an express contract not to engage in a competitive pursuit, an employee, upon taking a new employment in a competing business, may solicit for his employer the trade or business of his former customers and will not be enjoined from so doing at the instance of his former employer where there is no disclosure or use of trade secrets or confidential information relative to the trade or business in which he had been engaged and which he had secured in the course of his former employment."

Further, although the Ohio courts have not expounded on the issue, it seems clear that an employee has the right to prepare for future competition provided it is not done during work hours, and the competition does not begin until after the employee resigns. This conclusion is consistent with case law from other jurisdictions.

In *Crosswood Products Inc. v. Suter* (Ill.App.1981), 422 N.E.2d 953, a case where a salesman, while still employed, set up a separate corporation of his own before he left his employer, the court held that:

"... an employee may legitimately go so far as to form a rival corporation and outfit it for business while still employed by the prospective competitor.... However, the employee may not go beyond such preliminary competitive activities and commence business as a rival concern while still employed." *Id.* at 956.

See also *Science Accessories Corp. v. Summagraphics Corp.* (Del.Supr.1980), 425 A.2d 957; *Cudahy Company v. American Laboratories* (1970), 313 F.Supp. 1339; and *Wilborn & Sons v. Heniff* (Ill.App.1968), 237 N.E.2d 781. In addition, there is authority that the employee does not have to inform the employer of his intentions prior to his termination. In *Auxton Computer Ent. v. Parkes* (N.J.Supr.1980), 416 A.2d 952, the court noted that the failure to disclose preparations to the employer does not violate any duty. The court reasoned as follows:

".... If the right to change jobs is to be in any way meaningful for an employee not under contract for a definite term, it must be exercisable without the necessity of revealing the plans to the employer...."

*3 (Citations omitted.) *Id.* at 955.

In light of this case law, it is clear that the appellant's conduct was proper unless the appellee established that there existed a restrictive covenant, and/or the appellant used trade secrets or confidential information relative to the trade or business, and/or the appellant solicited clients prior to his resignation.

As noted earlier, the trial court found that the evidence failed to establish a restrictive covenant. Therefore, the trial court could have only found in favor of the appellee if the appellant used trade secrets or confidential information, and/or the appellant solicited clients prior to his resignation.

A review of the trial court's memorandum reveals that it made no finding regarding the use of trade secrets or confidential information. Further, the record indicates that neither were involved in the case *sub judice*. Although it is well established that customer lists containing detailed confidential information can be considered trade secrets, *see* Giovinazzi v. Chapman (August 26, 1982), Cuyahoga App. No. 44241, unreported, [FN4] no such list is at issue here. In the instant case, Greenwald compiled a list of a select group of former clients using nothing more than his memory. In *Albert B. Cord Co., Inc. v. S & P Management Services Inc.* (1965), 2 Ohio App.2d 148, the court held that customer lists of a management consultant company compiled by the former employee's memory is not a trade secret. In coming to this conclusion, the court rejected the trial court's conclusion that "memories were as good as any written list" and stated:

"This is not the law. If it were, then no salesman or any other employee could leave his employer and go into business with others or for himself, for surely he would have some 'memory' of what he had learned in his employer's business."

Id. at 150.

Since the list in the case at bar was compiled solely upon the defendant's memory, it does not constitute a trade secret or confidential information.

The final basis upon which the court could have found for the plaintiff, is that the plaintiff solicited customers prior to leaving his employment. The record reveals that this in fact was the basis for granting judgment for the plaintiff. Further, the evidence admitted at trial supports this conclusion. At trial, the plaintiff submitted signed authorization forms from two former clients that were dated in October of 1983. The defendant, however, did not resign from the plaintiff corporation until December 1983. This evidence is sufficient to support the trial court's finding that the defendant breached his common law duty of loyalty, good faith, fair dealing, and noncompetition. [FN5] Accordingly, appellant's first assignment of error is without merit.

III.

Second assignment of error:

*4 "The trial court erred in its award of damages by reason of the solicitations of plaintiff-employer's clients by defendant after his resignation from his employment and by reason of his mere preparation for separate employment prior to his resignation. The damages awarded were without support in the evidence."

A trial court's monetary award must necessarily be limited to the amount of damages proven to have resulted from tortious conduct. The record indicates that the vast majority of clients who left Michael Shore & Company and went with Greenwald were lawfully solicited by Greenwald. However, as noted earlier, the appellee did establish by competent credible evidence, that the appellant wrongfully solicited two clients prior to his resignation. The appellee was entitled to be compensated for such wrongful conduct.

The appellant, however, contends that the monetary award was not limited to the damage caused by the wrongful solicitation of two clients. The record supports the appellant's claim. In the trial court's "Memorandum to Counsel", the court states that the $62,500 award represents the reasonable value of the business that was taken from the plaintiff. Since the vast majority of the business taken was lawfully solicited by Greenwald, the trial court's judgment is excessive, and therefore, this case must be remanded for a redetermination of damages.

The damages shall be limited to the damages which resulted from the tortious conduct, *i.e.*, the damages caused to the company by Greenwald's wrongful solicitation of two clients prior to his resignation. The award of damages shall be an amount to "make whole" the plaintiff for the injury sustained. *Ohio Power Co. v. Johnston* (1968), 18 Ohio Misc. 55, 58. This includes, but is not limited to, lost profits and wrongful diversion of good will. *See Barone v. Mercisak* (1983), 465 N.Y.S.2d 561.

Accordingly, appellant's second assignment of error is sustained.

IV.

This case is reversed and remanded for a redetermination of damages, if any, which is consistent with this opinion.

MARKUS and NAHRA, JJ., concur.

N.B. This entry is made pursuant to the third sentence of Rule 22(D), Ohio Rules of Appellate Procedure. This is an announcement of decision (see Rule 26). Ten (10) days from the date hereof this document will be stamped to indicate journalization, at which time it will become the judgment and order of the court and time period for review will begin to run.

FN1. The Vermilion Practice was purchased from Richard Collier for $50,000. Due to Collier's ill health, that practice was in disarray. Greenwald was assigned to rebuild the practice.

FN2. Greenwald did not solicit all the clients of Michael Shore & Company. The former clients solicited by Greenwald included many from the "Vermilion Practice," with whom Greenwald had maintained a good relationship. Also contacted were a few other clients of Michael Shore & Company that Greenwald had worked for.

FN3. Greenwald alleged that the two forms dated in October were simple errors. He contends that the clients were not contacted until after his resignation, and two had erroneously put down the wrong date. One of the two clients confirmed this, while the other says he was contacted in November 1983.

FN4. In *Giovinazzi*, the confidential list consisted of 300-500 customer cards which contained the following information: customer's name, address, telephone number, installed coffee-making equipment, type of coffee and customer contact. From this list, the defendant made a selective list of customers and began soliciting the customers prior to termination. Another example of a confidential list can be found in *Fremont Oil Co. v. Marathon Oil Co.* (1963), 92 Ohio Law Abs. 76. In that case, the court held that a route list of a gasoline tank truck of driver, containing the customer's name, capacity and tank location, location of the keys and type of delivery, was confidential.

FN5. The trial court's finding regarding the appellant's tortious conduct is very general. It states that:

"... the defendant's actions prior to disassociation from the plaintiff did constitute a breach of his common law fiduciary duty of loyalty, good faith, fair dealing and noncompetition,...."

Since much of the activity prior to disassociation was proper, *e.g.*, purchasing office equipment, our affirmance is limited.

This court only affirms on the ground that the appellant wrongfully solicited two clients prior to his resignation. Any other intended reason for granting judgment is unsupported by the evidence, and thus, overruled.

Not Reported in N.E.2d, 1985 WL 17713 (Ohio App. 8 Dist.)

END OF DOCUMENT

IN THE SUPREME COURT OF OHIO

ROBERT E. MARTIN,	:	06-2340
APPELLANT	:	On Appeal from the Franklin County Court of Appeals, Tenth Appellate District
v.	:	
AL MINOR & ASSOCIATES	:	Court of Appeals Case No. 06 AP-217
APPELLEE.	:	

NOTICE OF APPEAL OF APPELLANT ROBERT E. MARTIN

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FILED
DEC 20 2006
MARCIA J. MENGEL, CLERK
SUPREME COURT OF OHIO

Notice of Appeal of Appellant Robert E. Martin

Appellant Robert E. Martin hereby gives notice of appeal to the Supreme Court of Ohio from the judgment of the Franklin County Court of Appeals, Tenth Appellate District, entered in Al Minor & Associates, Inc., Plaintiff-Appellee, v. Robert E. Martin, Defendant-Appellant, Court of Appeals Case No. 06 AP-217 on November 9, 2006.

This case is one of public or great general interest.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Notice of Appeal was sent by ordinary U.S. mail to counsel for Appellee, Barry A. Waller, Fry, Waller & McCann Co., L.P.A., 35 East Livingston Avenue, Columbus, Ohio 43215, on this 20th day of December 2006.

Samuel N. Lillard

The Supreme Court of Ohio

FILED
MAR 14 2007
MARCIA J. MENGEL, CLERK
SUPREME COURT OF OHIO

Al Minor & Associates, Inc. Case No. 2007-0121

v. ENTRY

Robert E. Martin

This cause is pending before the Court on the certification of a conflict by the Court of Appeals for Franklin County. On review of the order certifying a conflict,

It is determined that a conflict exists. It is ordered by the Court that the parties brief the issue stated in the court of appeals' journal entry filed January 11, 2007, as follows:

"Whether customer lists compiled by former employees strictly from memory can be the basis for a statutory trade secret violation."

It is ordered by the Court, sua sponte, that this cause is consolidated with Supreme Court Case No. 2006-2340, *Al Minor & Assoc., Inc. v. Martin.*

It is further ordered that briefing in Case Nos. 2007-0121 and 2006-2340 shall be consolidated. The parties shall file two originals of each of the briefs permitted under S.Ct.Prac.R. VI and include both case numbers on the cover page of the briefs. The parties shall otherwise comply with the requirements of S.Ct.Prac.R. VI.

It is further ordered by the Court that that the Clerk shall issue an order for the transmittal of the record from the Court of Appeals for Franklin County.

(Franklin County Court of Appeals; No. 06AP217)

THOMAS J. MOYER
Chief Justice

The Supreme Court of Ohio

FILED
MAR 14 2007
MARCIA J. MENGEL, CLERK
SUPREME COURT OF OHIO

Al Minor & Associates, Inc. Case No. 2006-2340

v. ENTRY

Robert E. Martin

Upon consideration of the jurisdictional memoranda filed in this case, the Court accepts the appeal.

It is ordered by the Court, sua sponte, that this cause is consolidated with Supreme Court Case No. 2007-0121, *Al Minor & Assoc., Inc. v. Martin.*

It is further ordered by the Court that briefing in Case Nos. 2006-2340 and 2007-0121 shall be consolidated. The parties shall file two originals of each of the briefs permitted under S.Ct.Prac.R. VI and include both case numbers on the cover page of the briefs. The parties shall otherwise comply with the requirements of S.Ct.Prac.R. VI.

It is further ordered that the Clerk shall issue an order for the transmittal of the record from the Court of Appeals for Franklin County.

(Franklin County Court of Appeals; No. 06AP217)

THOMAS J. MOYER
Chief Justice

[Cite as *Al Minor & Assoc., Inc. v. Martin*, 2006-Ohio-5948.]

IN THE COURT OF APPEALS OF OHIO

TENTH APPELLATE DISTRICT

Al Minor & Associates, Inc.,	:	
Plaintiff-Appellee,	:	
		No. 06AP-217
v.	:	(C.P.C. No. 03CVH-03-2696)
Robert E. Martin,	:	(REGULAR CALENDAR)
Defendant-Appellant.	:	

O P I N I O N

Rendered on November 9, 2006

Fry, Waller & McCann Co., L.P.A., and *Barry A. Waller*, for appellee.

Law Office of Mowery & Youell, *Samuel N. Lillard* and *Elizabeth J. Birch*, for appellant.

APPEAL from the Franklin County Court of Common Pleas.

BRYANT, J.

{¶1} Defendant-appellant, Robert E. Martin, appeals from a judgment of the Franklin County Court of Common Pleas adopting a magistrate's decision that granted damages to plaintiff-appellee, Al Minor & Associates, Inc. ("AMA"), on AMA's claim that defendant misappropriated trade secrets from AMA. Defendant assigns a single error:

> THE TRIAL COURT ERRONEOUSLY DENIED THE APPELLANT'S OBJECTIONS TO THE MAGISTRATE'S REPORT HOLDING THAT APPELLANT'S USE OF MEMORIZED CLIENT INFORMATION CONSTITUTED A MISAPPROPRIATION OF TRADE SECRETS.

Because AMA's client information is a trade secret under R.C. 1331.61(D), we affirm.

{¶2} AMA is an actuarial firm that serves as a third-party administrator of qualified retirement plans and assists businesses in creating, developing and managing qualified retirement plans, including ERISA plans. Albert R. Minor, Jr. is AMA's president and sole shareholder. AMA employed defendant from 1998 through 2003 as a pension analyst, assigning him to particular clients that qualified as defined contribution plans. Defendant did not sign an employment agreement, a covenant not to compete, or a written agreement concerning AMA's trade secrets.

{¶3} Prior to resigning from AMA, defendant formed his own company in the same line of business. Defendant left AMA without a client list or any other physical document, but retained his knowledge of AMA's clients and their respective plans. Shortly after leaving, defendant solicited and secured 15 clients that AMA formerly serviced.

{¶4} AMA filed a complaint against defendant for misappropriation of trade secrets in violation of R.C. 1331.61 et seq., when it became aware that some of the clients defendant was servicing were former AMA clients. Specifically, AMA contended defendant misappropriated both AMA's confidential client list and its confidential information concerning the administrative service needs of its clients' third-party pension plans. AMA sought monetary and injunctive relief.

{¶5} Defendant filed an answer, and the case was referred to a magistrate for trial. On January 12, 2005, the magistrate found defendant liable to AMA for misappropriation of trade secrets and awarded AMA $25,973 in damages. Because AMA withdrew its request for a preliminary injunction and failed to address the continuing need for injunctive relief, the magistrate dismissed AMA's request for injunctive relief.

{¶6} Both AMA and defendant filed objections to the magistrate's conclusions of law pursuant to Civ.R. 53(E)(3); neither party contested the magistrate's findings of fact. Defendant contended the magistrate's decision was erroneous because AMA's client list and information were not trade secrets; AMA objected to the magistrate's calculation of damages. The trial court overruled both defendant's and AMA's objections and pursuant to Civ.R. 53(E)(4), approved and adopted the magistrate's decision in its entirety.

{¶7} Defendant's sole assignment of error contends the trial court erred in determining that AMA's client list and information are trade secrets. R.C. 1333.61(D) defines trade secret to mean "information, including the whole or any portion or phase of * * * any business information or plans, financial information, or listing of names, addresses, or telephone numbers, that satisfies both of the following: (1) It derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use[;] (2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

{¶8} The Supreme Court of Ohio adopted six factors to consider in analyzing a trade secret claim: "(1) The extent to which the information is known outside the business; (2) the extent to which it is known to those inside the business, *i.e.* by the employees; (3) the precautions taken by the holder of the trade secret to guard the secrecy of the information; (4) the savings effected and the value to the holder in having the information as against competitors; (5) the amount of effort or money expended in obtaining and developing the information; and (6) the amount of time and expense it would take for others to acquire and duplicate the information." *State ex. rel. The Plain Dealer v. Ohio*

Dept. of Ins. (1997), 80 Ohio St.3d 513, 524-525, citing *Pyromatics, Inc. v. Petruziello* (1983), 7 Ohio App.3d 131, 134-135.

{¶9} Here, the trial court determined AMA's client list was an intangible asset that AMA acquired by devoting considerable time and resources over a 20-year period. The trial court also concluded AMA took sufficient precautionary measures to assure the client list remained confidential, including: (1) informing its employees that its client information was confidential and was not to be made public; (2) circulating a Computer Usage Policy that reminded its employees the client names and associated information were confidential, were not to be made public, and were not to be removed from the confines of the office; and (3) securing client information from those entering AMA's office. Premised on those findings, the trial court determined AMA's client list and information were trade secrets under R.C. 1331.61.

{¶10} Defendant first argues AMA's client list and information are not trade secrets because that information is available to the general public on the internet website www.freeERISA.com. In support, defendant points to the magistrate's finding of facts to support his contention: AMA "agreed with the general assumption that each of the 15 aforementioned clients could be entered into the database and the corresponding [client information] could then be accessed through the 'view it' link." (Magistrate's Decision, 9.) Defendant concludes that because the undisputed evidence proves the public may readily access AMA's client list and information, they are not entitled to trade secret status.

{¶11} A customer list is an intangible asset that is presumptively a trade secret when the owner of the list takes measures to prevent its disclosure in the ordinary course of business to persons other than those the owner selects. *State ex rel. Lucas Cty. Bd. of Commrs. v. Ohio Environmental Protection Agency* (2000), 88 Ohio St.3d 166, 173; *Vanguard Transp. Sys., Inc. v. Edwards Transfer & Storage Co., Gen. Commodities Div.* (1996), 109 Ohio App.3d 786. A customer list, however, is entitled to trade secret status "only if the information is not generally known or readily ascertainable to the public." *Ohio Environmental Protection Agency*, at 173, quoting *State ex. rel. The Plain Dealer*, at 529.

{¶12} Here, the trial court, through its magistrate, found that although a browser could enter an individual client's name into www.freeERISA.com and obtain the client's contact information, a browser could neither independently obtain a compiled list of the clients AMA serviced nor determine which clients needed third-party pension plan administrative services. The trial court analogized defendant's method of searching the website to searching a telephone directory for a client list: "the mere fact that each of the clients at issue are [sic] listed in a telephone directory, or can be entered by name in a database, does not raise an inference that they are 'easily ascertainable.' " The court determined that because AMA's client list represented divergent trades, industries and businesses, any attempts to independently acquire AMA's client list from a database search would be exceedingly difficult and therefore not readily ascertainable to the public.

{¶13} The evidence demonstrates AMA spent considerable time and energy compiling its client list and used adequate measures to protect the client information from its competitors. Because the evidence reflects no readily available means by which someone outside the employ of AMA can specifically identify AMA's clients and readily determine which clients need third-party pension plan administrative services, AMA's client list is a trade secret under R.C. 1331.61(D). Defendant's first argument is without merit.

{¶14} Defendant next argues AMA's client list and information are not trade secrets because defendant acquired the list from memory. Defendant notes undisputed evidence that he did not take any physical information relating to AMA or its clients prior or subsequent to his resignation. Defendant cites two Eighth District Court of Appeals cases for the proposition that customer lists a former employee compiles strictly from memory are not trade secrets. *Ellison & Assoc. v. Pkarek* (Sept. 26, 1985), Cuyahoga App. No. 49560; *Michael Shore & Co. v. Greenwald* (Mar. 21, 1985), Cuyahoga App. No. 48824. The trial court resolved defendant's argument in favor of AMA, relying on this court's opinion in *Mesarvey, Russell & Co. v. Boyer* (July 30, 1992), Franklin App. No. 91AP-974. In *Boyer*, we stated that "[w]hether created from a writing or from memory, a client list is a statutory trade secret under R.C. 1333.51(A)(3)."

{¶15} Defendant claims *Boyer* does not apply here for two reasons: (1) because R.C. 1331.51(A)(3) was repealed and replaced with R.C. 1331.61(D), and (2) because the employee in *Boyer,* unlike defendant, signed an employment contract with a non-compete clause. R.C. 1331.61(D) changed the definition of a trade secret from that contained in former R.C. 1333.51(A)(3). The change, however, has no bearing on the relevant aspect of *Boyer*'s holding because *Boyer* focused on the trade secret's form, not its definition. Similarly, the non-compete clause was apposite to the relevant aspect of *Boyer*'s holding because the court narrowly and separately addressed the issue of the trade secret's form from the larger issue of breach of contract. Because *Boyer* is indistinguishable, and because we previously determined that a client list such as the one at issue fits the statutory definition of a trade secret under R.C. 1331.61(D), AMA's memorized client list warrants trade secret status.

{¶16} Defendant finally contends that prohibiting him from contacting AMA's clients effectively creates a perpetual non-compete agreement against public policy. Defendant is correct insofar as he notes that R.C. 1331.61(D) expanded the definition of trade secret from the former statute and increased the tension between a company's right to be protected against unfair competition and an individual's right to the unhampered pursuit of livelihood. Defendant's argument, however, ignores the constantly changing nature of business information and the relatively short period of time during which such information can be deemed sufficiently relevant to warrant trade secret status. Even so, we need not resolve the interplay of the two competing interests. Because AMA withdrew its request for a preliminary injunction early in litigation and failed to address at trial the continuing need for injunctive relief, the trial court's judgment does not enjoin defendant from contacting AMA clients in the future but only requires defendant to compensate AMA for past monetary damages. Accordingly, defendant's policy argument is unpersuasive in addressing the merits of the appeal before us.

{¶17} Having found defendant's arguments without merit, we overrule defendant's single assignment of error and affirm the judgment of the trial court.

Judgment affirmed.

BROWN and FRENCH, JJ., concur.

IN THE COURT OF APPEALS OF OHIO

TENTH APPELLATE DISTRICT

Al Minor & Associates, Inc., :

Plaintiff-Appellee, :

v. : No. 06AP-217 (C.P.C. No. 03CVH-03-2696)

Robert E. Martin, : (REGULAR CALENDAR)

Defendant-Appellant. :

MEMORANDUM DECISION

Rendered on January 11, 2007

Fry, Waller & McCann Co., L.P.A., and *Barry A. Waller*, for appellee.

Law Office of Mowery & Youell, Samuel N. Lillard, and *Elizabeth J. Birch*, for appellant.

ON MOTION TO CERTIFY CONFLICT

BRYANT, J.

{¶1} Defendant-appellant, Robert E. Martin, moves this court pursuant to App.R. 25 for an order to certify a conflict between our decision in *Al Minor & Assoc. v. Martin*, Franklin App. No. 06AP-217, 2006-Ohio-5948, and those of the Eighth District Court of Appeals in *Ellison & Assoc. v. Pekarek* (Sept. 26, 1985), Cuyahoga App. No. 49560, *Michael Shore & Co. v. Greenwald* (Mar. 21, 1985), Cuyahoga App. No. 48824, and *Commonwealth Sanitation Co. of Cleveland, Inc. v. Commonwealth Pest Control Co.* (1961), 87 Ohio Law Abs. 550, on the following question:

> Whether customer lists compiled by former employees strictly from memory can ever by [sic] the basis of a trade secret violation.

{¶2} Pursuant to Section 3(B)(4), Article IV, Ohio Constitution, a court of appeals is required to certify a conflict when its judgment is in conflict with the judgment pronounced upon the same question by any other court of appeals in the state of Ohio. An actual conflict must exist between appellate judicial districts on a rule of law before certification of a case to the Supreme Court of Ohio for review and final determination is proper. *Whitelock v. Gilbane Bldg. Co.* (1993), 66 Ohio St.3d 594. It is not enough that the reasoning expressed in the opinions in the two courts of appeals is inconsistent; the judgment of the two courts must be in conflict. Further, the alleged conflict must be on a rule of law and not based on facts, as factual distinctions between cases do not serve as a basis for certifying a conflict. Id. at 599.

{¶3} In *Michael Shore*, an employee, prior to resigning from his employment, began taking steps to start his own company in the same line of business as his employer. After resigning, the former employee solicited and secured his former employer's clients. The trial court found the evidence failed to establish a restrictive covenant but held that the former employee's activity prior to his resignation constituted a breach of loyalty and tortious interference with contract. On appeal, the court held the former employee's conduct to be proper unless the employer established, among other things, that the former employee used trade secrets or confidential information from his former employer's trade or business. The appellate court held that because the former employee compiled a list of a select group of former clients using nothing more than his memory, the client list was not a trade secret or confidential information.

{¶4} Here, like the employee in *Michael Shore*, defendant formed his own company in the same line of business as Al Minor & Associates ("AMA") and left AMA without a client list or any other physical document, but retained his knowledge of AMA's clients and their respective needs pertaining to third-party pension administrative services. Shortly after resigning, defendant solicited and secured 15 clients that AMA formerly serviced. A magistrate found defendant liable to AMA for misappropriation of trade secrets and the trial court, after overruling AMA's and defendant's objections to the magistrate's conclusions of law, approved and adopted the magistrate's decision in its entirety.

{¶5} Defendant's appeal, in part, contended AMA's client list and information were not trade secrets because defendant acquired the information from memory. In support, defendant cited *Ellison* and *Michael Shore* for the proposition that customer lists a former employee compiles strictly from memory are not trade secrets. Rather than following that rule of law set forth by the Eighth District Court of Appeals, this court instead relied upon *Mesarvey, Russell & Co. v. Boyer* (July 30, 1992), Franklin App. No. 91AP-974, a decision of our own court where we stated that "[w]hether created from a writing or from memory, a client list is a statutory trade secret under R.C. 1333.51(A)(3)." Applying the rationale of *Boyer* to our determination that AMA's client list fit the statutory definition of a trade secret under R.C. 1333.61(D), this court concluded AMA's client list that defendant memorized warranted trade secret status.

{¶6} Because this court in the present appeal and the Eighth District Court of Appeals in *Michael Shore* reached opposite conclusions on the same rule of law, our judgment in this case conflicts with the judgment in *Michael Shore*. Although the same rule of law was also utilized in *Ellison* and *Commonwealth Sanitation*, the rule of law was not essential to the judgment of those cases and thus our judgment in this case does not conflict with them. *Whitelock*, supra.

{¶7} Accordingly, we grant defendant's motion to certify the conflict to the Supreme Court of Ohio because our decision in the present appeal conflicts with the judgment of the Eighth District in *Michael Shore* on the following question:

> Whether customer lists compiled by former employees strictly from memory can be the basis for a statutory trade secret violation.

Motion to certify conflict granted.

BROWN and FRENCH, JJ., concur.

COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO
CIVIL DIVISION

Al Minor & Associates, Inc.,	:	
Plaintiff,	:	CASE NO. 03CV -2696
-vs-	:	JUDGE FAIS
Robert E. Martin,	:	
Defendant.	:	

TERMINATION NO. 10
BY

DECISION AND ENTRY OVERRULING DEFENDANT'S OBJECTIONS TO MAGISTRATE'S DECISION FILED JANUARY 27, 2005

AND FINAL APPEALABLE ORDER

DECISION AND ENTRY OVERRULING PLAINTIFF'S OBJECTIONS TO MAGISTRATE'S DECISION ON THE MERITS FILED FEBRUARY 11, 2005

FILED COURT OHIO
2006 FEB -6 PM 4:05
CLERK OF COURTS

Rendered this 31st day of January 2006.

FAIS, JUDGE.

I. INTRODUCTION

This matter is before the Court pursuant to Defendant Robert E. Martin's ("Defendant") Objections to the Magistrate's Decision on the Merits filed January 27, 2005. Plaintiff Al Minor & Associates, Inc. filed its Memorandum Contra on February 11, 2005. Plaintiff also filed Objections to the Magistrate's Decision on the Merits on February 11, 2005.

Magistrate Thompson conducted a bench trial on June 8, 2004 in the above captioned matter. On January 12, 2005 Magistrate Thompson concluded that Defendant was liable to Plaintiff for misappropriation of trade secrets and that Plaintiff was entitled to a judgment in its favor in the amount of $25,973.00, which constituted Plaintiff's lost client's fees due to Defendant's misappropriation. Defendant was to pay court costs.

II. STANDARD OF REVIEW

Civ.R. 53(E)(4)(a) provides that "a magistrate's decision shall be effective when adopted by the court." Further, upon considering objections, the court "may adopt, reject, or modify the magistrate's decision, hear additional evidence, recommit the matter to the magistrate with instructions, or hear the matter." Civ.R. 53(E)(4)(b). The Ohio Court of Appeals has repeatedly rejected the argument that the trial court should act as a deferential reviewing court in addressing objections. *See Holland v. Holland* (Jan. 29, 1998), Franklin App. No. 97APF08-974, unreported. As such, the trial court is required to make a independent *de novo* determination when objections are filed on a magistrate's decision. *See id.*

III. ANALYSIS AND FINDINGS OF THE COURT

A. Defendant's Objections

Defendant contends that Magistrate Thompson erroneously concluded that Plaintiff's client list is a trade secret because it is public information. Defendant argues that the names of Plaintiff's clients as well as their contact information is readily ascertainable to the public through a public records request of the Federal Form 5500 or on the internet at <www.freeerisa.com>.

Plaintiff asserts that he took precautions to protect the confidential client information and that even if the names and contact information of its clients is capable of being found in a public search, its client list is not a public record or public knowledge. Plaintiff argues that Defendant used his memory to re-create Plaintiff's client list and not a public search, and as such the list is protected under the trade secrets statute.

Ohio Revised Code §1333.61 defines a trade secret in the following manner:

> (D) "Trade secret" means information, including the whole or any portion or phase of any scientific or technical information, design, process, procedure,

> formula, pattern, compilation, program, device, method, technique, or improvement, or any business information or plans, financial information, or listing of names, addresses, or telephone numbers, that satisfies both of the following:
>
> (1) It derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. (2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

The factors to be considered when determining whether information and evidence qualifies as a trade secret are: (1) the extent to which the information is known outside of the business, (2) the extent to which the information is known to those inside the business, i.e. by the employees, (3) the precautions taken by the holder of the trade secret to guard the secrecy of the information, (4) the savings effected and the value to the holder in having the information as against competitors, (5) the amount of effort or money expended in obtaining and developing the information, and (6) the amount of time and expense it would take for others to acquire and duplicate the information. *Pyromatics v. Petruziello* (1983), 7 Ohio App. 3d 131, 134-135; followed in *Murray v. Bank One* (1994), 99 Ohio App. 3d 89.

In *Pyromatics*, the Court of Appeals acknowledged that a "labyrinth of law" exists concerning trade secrets and unfair competition. A fundamental task of the reviewing court in trade secret misappropriation cases is to engage in a careful balancing of the need to protect trade secrets and the goal of free and vigorous competition. *Id.* at 137. The employer who has discovered or developed trade secrets is protected against unauthorized disclosure or use, not because he has a property interest in the trade secrets but because the trade secrets were made known to the employee in a confidential relationship." *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.* (1986), 24 Ohio St.3d 41, 45.

There is no presumption that any particular idea imparted to or acquired by an employee is a trade secret unless the possessor takes active steps to maintain the secrecy. *Water Management, Inc. v. Stayanchi* (1984), 15 Ohio St.3d 83, 85. More specifically, a possessor of a potential trade secret must take some active steps to maintain its secrecy in order to enjoy presumptive trade secret status, and a claimant asserting trade secret status has the burden to identify and demonstrate that the material is included in categories of protected information under the statute. *Fred Siegel Co., L.P.A. v. Arter & Hadden* (1999), 85 Ohio St.3d 171, 181. Accordingly, to support a claim for misappropriation of trade secrets, a plaintiff must present evidence of facts that show the extent to which information is known outside the business and the precautions taken to guard the secrecy of information. *Biomedical Innovations, Inc. v. McLaughlin* (1995), 103 Ohio App.3d 122.

Upon considering the elements for a cause of action for misappropriation of trade secrets the Magistrate concluded that Plaintiff demonstrated at trial that Plaintiff's actuarial firm recognized and disseminated to its employees the position that its client information was not to be made public and that a general level of confidentiality surrounded such proprietary information. Albert R. Minor, Jr. ("Mr. Minor") testified that through his verbal instructions, as well as the circulated Computer Usage Policy, Plaintiff reminded its employees that client names, along with associated information, were confidential and not to be made public, nor was such information to be removed from the confines of the office.

In response, Defendant acknowledged that he understood in general terms that certain client information was proprietary. Moreover, when given the opportunity, Defendant failed to testify with any specificity to the contrary and did not effectively refute Mr. Minor's representations. The following facts were also uncontroverted: (1) Plaintiff screened its visitors by use of a door chime attached to the only door unlocked for public entry, (2) the computer system which contained the firm's client list was password protected, (3) the firm's files were not located near the office's entry and were not in an area exposed to visitors or the public, and (4) the suite was locked at night and during times employees were not present. These are consistent with the factors the Ohio Supreme Court has recognized as relevant. See *Fred Siegel Co., L.P.A. v. Arter & Hadden* (1999), 85 Ohio St.3d 171, 182; *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.* (1986), 24 Ohio St.3d 41, 45. While the parties were also in agreement that Mr. Minor occasionally revealed several clients from the list as a part of a marketing strategy, the Court agrees with the Magistrate's conclusion that this isolated act does not remove or destroy the confidential nature of the firm's master client list as a whole.

The parties also dispute whether Plaintiff's client list constituted a trade secret, since the list used by Defendant was created from his memory. The Tenth District has specifically concluded that a client list is a statutory trade secret under R.C. § 133.51(A)(3), regardless of "[w]hether created from a writing or from memory." *Mesarvey, Russell & Co. v. Boyer* (10th Dist. July 30, 1992), No. 91AP-974, 1992 Ohio App. LEXIS 3947, at *37-38. The court provided the following reasoning:

> "The purpose of Ohio's trade secret law is to maintain commercial ethics, to encourage invention, and to protect employers' investments and proprietary information. Levine, supra, at 28. Although a court cannot erase defendant Boyer's memory, defendants can be ordered to refrain from using the client list created from his memory to solicit MRC clients in the future. By doing so, plaintiff's significant interest in its client base can be protected from defendants' unfair solicitation and, at the same time, plaintiff's statutory trade secret information can be protected." *Id.*

In *Premier Courier v. Flaherty* (10th Dist. September 26, 1995), No. 95APE01-34, 1995 Ohio App. LEXIS 4311, at *12, the Tenth District affirmed its ruling that a former employee's unauthorized use of a memorized employer's client list could sustain a cause of action for misappropriation of trade secrets. Accordingly, the law in the Tenth District is clear in that a memorized client list could constitute a trade secret, the misappropriation of which may be recoverable.

In the case at bar, Magistrate Thompson concluded that Defendant's use of the memorized client list constituted a misappropriation of trade secrets. First, Magistrate Thompson concluded that the list of Plaintiff's customers constituted an intangible asset that Plaintiff spent considerable time and resources to develop over a span of many years. Moreover, sufficient precautionary measures were put in place by Plaintiff that it was reasonable to assume that such information would not be disseminated to Plaintiff's competition or the public at large. In reaching this decision, Magistrate Thompson looked to the reasoning set forth by the Tenth District Court of Appeals in *Vanguard Transportation Systems, Inc. v. Edwards Transfer & Storage* Co. (1996), 109 Ohio App.3d 786. That decision states as follows:

> "While there was no confidentiality agreement between Smithhart and Vanguard, the evidence shows that there was an understanding by Menne and Smithhart that Smithhart was not to disclose information pertaining to customer lists, driver lists and rate quotes. Menne testified that he had spoken to Smithhart regarding the confidential nature of the information to which she was privy. Even Sanders testified that he considers Edwards' customer files protected information. Although a list of shippers may be found in The Harris Industrial Guide, a freight industry publication, there is no readily available means by which a carrier can specifically identify another carrier's customers, traffic managers or commodity information." *Id.* at 791-792.

In this case, the Magistrate recognized that a similar understanding of non-disclosure was shown to exist at Plaintiff's firm with respect to its customer list. Second, Magistrate Thompson concluded that the facts demonstrated that no readily available means or independent source exists whereby an individual such as Defendant could identify which clients were serviced by Plaintiff or which clients were in need of third-party pension plan administration services.

Defendants spent considerable energy at trial attempting to illustrate that through the utilization of the internet site freeErisa.com, a browser could merely enter "Minor" or some other search term and obtain all the information that Defendant is alleged to have misappropriated. Magistrate Thompson did not find this persuasive because Defendant admitted to not engaging in this type of search, and because the sample searches offered at trial failed to generate information related to any of the 15 clients listed by Defendants on Page 3 of Plaintiff's Exhibit 1.

Several reviewing courts have offered an analogy of a phonebook. That is to say, the mere fact that each of the clients at issue are listed in a telephone directory, or can be entered by name in a database, does not raise an inference that they are "easily ascertainable." *Giovinazzi v. Chapman* (Aug. 26, 1982), Cuyahoga App. No. 44241, unreported; *Commonwealth Sanitation Co. v. Commonwealth Pest Control Co.* (1961), 87 Ohio Law Abs. 550. Magistrate Thompson followed such reasoning and recognized that the evidence at trial showed that Plaintiff's clients represent divergent trades, industries or businesses, thereby rendering less informed searches or solicitation very difficult.

Accordingly, the Magistrate found that the evidence demonstrated that the type of information misappropriated by Defendant was information that took Mr. Minor years of time and effort to compose and if such conduct were held to be permissible, Defendant would be able to duplicate Plaintiff's longstanding efforts virtually overnight. Consequently, Magistrate Thompson ruled that Defendants are liable to Plaintiff for misappropriation of trade secrets. This Court agrees with the Magistrate's reasoning and conclusions and finds that Defendant misappropriated Plaintiff's trade secrets and is liable to Plaintiff's for damages resulting from that violation.

While Defendant contends that other Appellate Court districts have held that a client list created from a former employee's memory does not constitute a trade secret, *see, e.g., Ellison & Assoc. v. Pkarek* (8th Dist. Sept. 26, 1985), No. 49560, 1985 Ohio App. LEXIS 7140, at *9; *Albert B. Cord Co., Inc. v. S&P Management Services, Inc.* (1st Dist. 1985), 2 Ohio App. 2d 148, 150, this is not the law in the Tenth District. Since this Court is bound to follow the current precedent set forth by the Tenth District and the circumstances in this case demonstrate that the use of the memorized client list by Defendant was in fact a misappropriation of a trade secret, the Magistrate's decision regarding Defendant's liability shall be approved and adopted by the Court.

B. Plaintiff's Objections as to Damages

Plaintiff solely contests the award of damages. Magistrate Thompson concluded that Plaintiff was entitled to judgment in the amount of $25, 973.00, which represents Plaintiff's lost client's fees for one year. Plaintiff contends that it is entitled to lost profits for a period of not less than two years and based upon the evidence Plaintiff submitted, the award of damages should be doubled to $51,946.00.

Generally, compensatory damages must be shown with certainty. *Moton v. Carroll* (10th Dist. No. 01AP-772), 2002-Ohio-567, at *8. As such, damages that are merely speculative in nature are not recoverable. *Id.* In order to recover lost profits, a plaintiff must demonstrate both the existence and amount with reasonable certainty and those damages may not be merely "possible" or "imaginary." *McNulty v. PLS Acquisition* (8th Dist. Nos. 79025, 79125, 79195), 2002-Ohio-7220, at ¶87 n.14. While lost profits do not need to be proven with mathematical precision, they must be "capable of measurement based upon known reliable factors without undue speculation." *Id.*

The Court finds that the award of damages in this case was an appropriate amount based upon the law and evidence presented at trial. During his testimony regarding Plaintiff's damages, Mr. Minor could not discern the damages beyond a "gut feeling" and failed to introduce any statistical or other pertinent evidence to demonstrate his future lost profits beyond one year with reasonable certainty. Magistrate Thompson concluded that Mr. Minor's testimony did not meet the minimum level of certainty to distinguish it from mere speculation and this Court agrees.

IV. CONCLUSION

The Court has thoroughly reviewed the motion, submitted memoranda, and the Magistrate's Decision on the Merits. Pursuant to its careful review, the Court finds that Defendant's motion is not well taken. Accordingly, the Court **OVERRULES** Defendant's Objections to Magistrate's Decision. The Court also finds that Plaintiff's motion it not well taken and hereby **OVERRULES** Plaintiff's Objections to the Magistrate's Decision. Furthermore, the Court hereby **APPROVES** and **ADOPTS** the Magistrate's Decision and grants judgment in the amount of $25, 973.00 to Plaintiff. This is a final order and there is no just reason for delay.

It is so ORDERED.

DAVID W. FAIS, JUDGE

COPIES TO:

Barry A. Waller, Esq.
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Samuel N. Lillard, Esq.
Elizabeth J. Birch, Esq.
Counsel for Defendants

COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO
CIVIL DIVISION

Al Minor & Associates, Inc.,	:	
Plaintiff,	:	CASE NO. 03CVH03-2696
-vs-	:	JUDGE FAIS
Robert E. Martin, et al.,	:	MAGISTRATE THOMPSON
Defendants.	:	

MAGISTRATE'S DECISION ON THE MERITS
FOLLOWING JURY-WAIVED TRIAL

Rendered this 12th day of January, 2005.

THOMPSON, MAGISTRATE

This case was referred to this Magistrate for a bench trial conducted on June 8, 2004. The parties appeared, evidence was presented and a court reporter was present. The Magistrate incorporates the exhibits admitted at trial into this decision as if fully rewritten herein. Having weighed the evidence, the Magistrate hereby renders the following Decision.

FINDINGS OF FACT

A. PROCEDURAL BACKGROUND

On March 10, 2003, Plaintiff Al Minor & Associates, Inc. (hereinafter "Plaintiff") filed this action against Defendants Robert E. Martin and Martin Consultants, LLC (hereinafter "Defendants"). The Complaint alleges that in the course of Robert E. Martin's previous employment with Plaintiff, he had access to confidential information; including names of clients, their addresses, telephone numbers and contacts, which constitute trade secrets under Ohio law. *Id.* at ¶¶5-17. Plaintiff avers that Mr. Martin formed his own company, Martin Consultants, LLC, while still employed by Plaintiff and misappropriated Plaintiff's confidential information for the purpose of soliciting Plaintiff's clients for his new business venture. ¶¶11-16.

In its Complaint, Plaintiff seeks the following: (1) injunctive relief enjoining Defendants from misappropriating Plaintiff's trade secrets and from soliciting any business from Plaintiff's clients for a period of eighteen months[1]; (2) attorney fees; (3) costs and expenses; (4) money damages arising from Defendants' misappropriation; (5) and other relief, both legal and equitable. *Id.* at prayer.

Defendants submitted an Answer on April 22, 2003, which contained a general denial of liability with respect to Plaintiff's claims. In addition to their Answer, Defendants asserted a Counterclaim and a Third-Party Complaint against Plaintiff's principal, Albert R. Minor, Jr. On the date of trial, counsel for Defendants indicated on the record that the Counterclaim and Third-Party Complaint were no longer being pursued by Defendants and were allowed "to let die" in the course of litigation.

The parties confirmed that neither asserted a jury demand and a bench trial was conducted by the Magistrate on June 6, 2004. At trial, Plaintiff called the following witnesses: Albert R. Minor, Jr. and Robert E. Martin (as on cross). Defendants called the following witnesses: Catherine J. Bender and Robert E. Martin.

B. NATURE OF PLAINTIFF'S BUSINESS

Albert R. Minor, Jr. is the president and sole shareholder of Plaintiff Al Minor & Associates, Inc. Either individually or by way of his company, Mr. Minor has been doing business at his current location since 1983. Incorporated in 1985, Al Minor & Associates, Inc. functions as an actuarial firm and third party administrator of qualified retirement plans, which assist businesses in the creation, development and management of qualified retirement plans, including ERISA plans. Mr. Minor

[1] It should be noted that Plaintiff included a Motion for a Preliminary Injunction with its Complaint, but later withdrew such a request. See *Magistrate's Report*, dated May 1, 2003.

explained that the role of an actuary is to evaluate the future financial impact of future contingent events. In the context of third-party administration of pension programs, Minor provided that his company is called on to determine how much contribution needs to be made in the future to assure plan benefits.

Mr. Minor testified that he gradually became known in the financial community by word of mouth and over the years, he has consistently devoted a few hours a week to market and develop new clientele. The witness represented that he does not utilize any materials to assist in marketing, but "encourages people to call." According to Minor, he has previously volunteered several of Plaintiff's client names as references for the purpose of establishing new clients. It was Minor's testimony that the nature of his clients' businesses vary and run across the board.

The office location whereby Mr. Minor operates his firm has remained unchanged for 19 years and is situated on the second floor of a building in Westerville, Ohio. Mr. Minor stated that entry to the office can be obtained through two doors, one of which is locked at all times. According to the witness, entry through the unlocked door is controlled by a door chime. Moreover, it was Minor's testimony that the company keeps its files in two rooms which are not located near the entrance. The witness characterized the information contained in the company's files which relate to its clients as "confidential" and not accessible to the public. Mr. Minor further indicated that client information is contained in employee rolodexes, as well as the company's computers, which are password protected.

Mr. Minor authenticated the company's Computer and Internet Usage Policies, which he explained were distributed to all employees on July 24, 2002. *Plaintiff's Exhibit 2*. According to Minor, the Policies specifically reference "proprietary Company information" and admonish employees not to copy or remove such information from their PC's. At trial, Defendant Robert E. Martin recognized that phrase and attested that he had an indication of what it meant. However, Mr. Martin opined that certain pension plan information was not included in this admonition, as such information was public.

Mr. Minor further provided that an employee handbook was drafted during the period when Mr. Martin was employed at Plaintiff, but admitted that said handbook was distributed the day before Martin resigned. *Plaintiff's Exhibit 4*. Apparently, this Employee Handbook contained a covenant not to compete, but was not signed by Martin. Mr. Martin himself stated that although he was aware of its existence, he did not read the whole Employee Handbook. In spite of such a representation, Mr. Minor attested that he had previously discussed with his staff, including Martin, that the company policy required confidentiality with respect to client information. Furthermore, Minor testified as to the existence of a working client list, copies of which are possessed by all employees of Plaintiff, and that such a document is not made available to the public. During his testimony, Mr. Martin did not disagree with Minor's insistence that the firm conveyed to its employees that client information was confidential.

Catherine J. Bender was formally employed by Plaintiff for 7 years as a pension administrator and was called as a witness by Defendants. Ms. Bender had a different recollection at trial with respect to confidentiality and the security measures in place at Al Minor & Associates, Inc. According to the witness, no steps were taken at Al Minor & Associates, Inc. to protect customer information and security procedures were not in effect. It was Ms. Bender's representation that one could easily obtain Plaintiff's client information, as it was routinely thrown in the firm's trash and dumpster. In addition, the witness attested that Mr. Minor occasionally gave out the names of Plaintiff's customers as part of his marketing strategy. On cross-examination, Ms. Bender admitted that she was fired by Albert R. Minor, Jr.

C. DEFENDANT'S EMPLOYMENT WITH PLAINTIFF

Defendant Robert E. Martin began his employment with Plaintiff in 1998. Prior to working for Plaintiff, it is undisputed that Martin had 15 years experience as a pension analyst. Mr. Martin stated that although he has passed several actuarial exams, he is not an actuary. In Martin's words, his duties at Plaintiff consisted of maintaining client relationships, responding to client calls, and requesting data to respond to and prepare mandatory government forms.

Mr. Minor similarly explained that as a pension analyst, Mr. Martin was assigned to particular clients of Plaintiff and had direct contact with those qualifying as defined contribution plans, as opposed to defined benefit plans. Mr. Minor admitted on cross-examination that Martin was not a party to a employment agreement, a covenant not to compete, or a written agreement concerning Plaintiff's trade secrets.

Additionally, it was Minor's testimony that Mr. Martin experienced several disciplinary problems during his tenure with Plaintiff. First, based on performance, Mr. Minor indicated that he had to reassign four of Plaintiff's clients serviced by Martin. Secondly, Minor stated that during Mr. Martin's employ, he was accused by a co-worker of sexual harassment. Nevertheless, Minor was in agreement that he indicated to Mr. Martin during his employment with Plaintiff that Martin may eventually be allowed to acquire an ownership interest in Plaintiff.

Mr. Martin expressed that he was unhappy with his employment arrangement at Plaintiff prior to his departure. In Martin's opinion, he was angered and disappointed with the allegations of sexual harassment, which he insisted were false. Additionally, Mr. Martin asserted that he was displeased about the earlier termination of Kathy Bender and had contemplated leaving since July of 2001. In general terms, the witness claimed the employment arrangement at Plaintiff had grown to be "uncomfortable."

When questioned about any mental list of clients he was able to recall after working for Plaintiff, Mr. Martin testified that he did not consider such information to be confidential. The witness did admit that knowledge of Plaintiff's customers could be used to gain a business advantage, but maintained that this type of exercise was fair game in a capitalistic society.

The evidence shows that Mr. Martin formally resigned from Plaintiff on January 7, 2003. *Defendant's Exhibit A*. Prior to his resignation, Martin testified that he took steps in late December of 2002 to form his own company. Mr. Martin maintained that these organizational steps were performed exclusively during his personal time and on his home computer. On cross-examination, Mr. Minor stated that he had no evidence to the contrary. Mr. Minor also testified that he was not aware of Martin's taking any physical documents or items from Plaintiff when he resigned. According to Minor, Martin only left with his memory, although this included knowledge of those clients of Plaintiff, as well as their respective plans, upon which he personally performed work. Mr. Martin testified similarly and further stated that in order to avoid any appearance of impropriety, he left behind his rolodex, even though he brought it when he first started with Plaintiff.

D. PLAINTIFF'S FORMER CLIENTS AT ISSUE

Mr. Minor explained that there are tens of thousands of pension plans in Ohio. Once clients are retained by Plaintiff, Minor testified that most remain and thereafter, the firm only incurs insignificant expenses on a year-to-year basis, such as for mailings and updates. Moreover, Minor expressed that there is no handy resource whereby one can quickly determine those businesses that are in need of qualified retirement plan administration services.

Mr. Minor maintained that Mr. Martin was never given permission to use any of the confidential information concerning Plaintiff's clients and that Martin never asked for such information before or after his departure from Plaintiff. According to Minor, he first became aware that Martin was servicing Plaintiff's clients when he received several requests for information to be sent to Defendants. As the remaining clients at issue, Mr. Minor testified that he was not aware for several months. On cross-examination, Minor conceded that he was unaware precisely how Martin was able to secure the fifteen relevant clients and was in general agreement that each client was free to hire whoever they saw fit for plan administration. Furthermore, Minor was unable to determine whether any of the clients formerly serviced by Plaintiff went to Defendants without being solicited.

It was Mr. Minor's testimony that in the course of discovery, Defendants themselves provided the names of 15 of their clients that were formerly served by Plaintiff. *Plaintiff's Exhibit 1, page 3.* Of these enumerated clients, Minor acknowledged that Mr. Martin brought Bose, McKinney & Evans, LLP (Number 1) as a client when he joined Plaintiff. As to 14 remaining clients listed, Minor insisted that all 14 came to Plaintiff because of his efforts and his reputation. Moreover, it was undisputed that Martin was assigned to work as a pension analyst with all 15 of these clients when working at Plaintiff. Mr. Minor explained that contemporaneous with Martin's departure, JJ Video (Number 9) had indicated its intention to terminate administration of its plan, but the remainder of these clients had maintained a good working relationship with Plaintiff and had expressed no desire to seek another third-party administrator for their respective plans.

Mr. Martin confirmed that on January 10, 2003, he sent solicitation letters to a small portion of Plaintiff's 500 clients and only to those he had personally performed services. *Defendant's Exhibit D.* While under Plaintiff's employ, Martin stated that he worked on approximately 70 to 80 of Plaintiff's clients, but he did not solicit all of them. Moreover, it was Martin's testimony that 4 of the 15 clients listed in Plaintiff's Exhibit 1 were not solicited by Defendants. *Plaintiff's Exhibit 1, page 3, numbers 4, 6, 9, and 13.*

In addition to announcing the new company "Martin Consultants LLC", the letters offered annual administrative fees at a rate of 90 percent of what Plaintiff charged the previous year. When questioned as to how much Plaintiff charged in 2001, Mr. Martin claimed that he had no idea of the precise amounts billed. It was Mr. Martin's position that although he had access to the billing information while at Plaintiff, he rarely viewed the firm's pricing schedule. This Magistrate finds such a representation by Martin, that he offered a 10 percent discount from the fees charged by Plaintiff without actually knowing what said fees consisted of, to be lacking in credibility.

Mr. Martin explained that through the use of on-line advanced searches, he was able to obtain the relevant information to contact certain clients of Plaintiff. Mr. Minor agreed that basic information for ERISA plans is accessible to the public and is considered public record. Mr. Minor explained that the primary federal submission form, referred to as the Form 5500 Filing, is available by written request or on the internet. The testimony at trial was consistent that this form functions as an annual informational return relevant to retirement plans and is submitted to a subdivision of the Department of Commerce, in order to receive deductions and maintain relevant plans. Mr. Martin provided that the intent of the filing was to inform the public and participants of the ongoings of the plan and to assure that the plan was in compliance with the law.

Mr. Minor further acknowledged that all 5500 forms are available for viewing anytime on the internet through a site entitled freeErisa.com, but testified that he personally does not utilize this resource. The witness further recognized, after reviewing printed out pages from said website, that a browser could perform searches in the "Provider/Client Database" or by the 5500 form filings.

Defendant's Exhibits F, G, H, I, & J. Mr. Minor agreed with the general assumption that each of the 15 aforementioned clients could be entered into the database and the corresponding 5500 form could then be accessed through the "view it" link. Notwithstanding such testimony, the witness indicated that there was usually a considerable lag before this type of information was entered into any public record. Moreover, Minor maintained that the information included in several of the sample freeErisa.com searches were incomplete in that they failed to provide the name and phone number of the day-to-day contact person. *Defendant's Exhibits J & G.*

Mr. Martin agreed that the 15 clients listed in Plaintiff's Exhibit 1, Page 3 were not randomly obtained through an internet search, but rather, were clients he became acquainted with while employed at Plaintiff. Moreover, the witness provided that in certain instances, the individual that he contacted or addressed in his solicitations was not the one listed on the 5500 form as the plan administrator. According to Martin, he was able to make this distinction based on the relationship with these clients gained while working as a pension analyst with Plaintiff. *Defendant's Exhibit J.* However, the witness claimed that if anyone was to call the number listed on the 5500 form and simply ask who is in charge of the plan, they would be directed to the proper individual. Furthermore, Martin insisted that the individual listed as the administrator on the 5500 form is generally the contact person and an example to the contrary is the exception.

With respect to his utilization of the freeErisa.com site to search for prospective clients, Mr. Martin could not recall exactly when he previously preformed his on-line search or which names came up, as he didn't keep records. It was the witness' contention that he did not require the internet to obtain the list of Plaintiff's clients he intended to send letters to, but rather, he utilized the 5500 forms strictly to obtain their business addresses. Defendants attempted to assert that a variety of searches can be performed by way of the freeErisa.com website. According Martin, such searches can be based upon zip code, company name, state, as well as other indicators and all a user needs to provide is an e-mail address.

Defendants submitted that one could search under the name "Minor" and receive substantial information regarding Plaintiff's clients, as well as their respective 5500 forms. *Defendant's Exhibit G.* However, the evidence showed that such a search only revealed six out of approximately 500 of Plaintiff's clients and Mr. Martin conceded that none of those generated are included in the 15 clients at issue in this case. More importantly, Martin admitted on cross-examination that despite the various ways that one can utilize freeErisa.com, when he did so, he searched exclusively by entering Plaintiff's clients' names or parts of their names. As a result, this Magistrate concludes that any testimony that illustrates how one can search freeErisa.com by zip code, city, state, terminating pension or the like is irrelevant, based on the fact that Mr. Martin himself expressed that these were not his methods.

Mr. Martin further explained that Martin Consultants, LLC is more or less defunct at this time. The witness stated that he is currently employed by Dean Pension Consultants, who were formerly know as Dean, Vonshuler & McBridge. According to Martin, these two entities still operate, but under one company, with the later name phased out. It was Martin's recollection that a gradual move over occurred whereby clients belonging to Martin Consultants, LLC were transferred to Dean Pension Consultants. When asked how many clients Martin Consultants, LLC still serves, Martin answered "zero."

Presently, by way of his new employer, Mr. Martin admitted to still performing work for each of the 15 clients formerly serviced by Plaintiff, with the exception of JJ Video and Bose, McKinney & Evans, LLP. Mr. Martin attested that the annual fees for these clients constitute $20,000.00 per year, with an additional $3,000.00 representing the clients Defendants didn't solicit.

E. ALLEGED DAMAGES

Mr. Minor explained that he was able to compile a table indicating the annual fees owed by each of Plaintiff's 15 former clients that were taken by Mr. Martin. *Plaintiff's Exhibit 8*. With the exception of JJ Video, the client that was terminating its plan administration, Minor attested that the total annual fees due to Plaintiff would have been $45,175.00. In addition, the witness testified that the present value of fees for these clients, when calculated over 5 years at 6 percent, totals $201,710.00. This sum relies upon an average net profit calculation of 48 percent, which according to Minor was based on Plaintiff's percent profit over the last six years. *Plaintiff's Exhibit 9*. When asked why he used a period of five years with respect to present value, the witness insisted that it is his experience that most of his clients remain longer than 5 years and there is no reason to believe they would stay less. It was Minor's representation that these calculations are accurate and conservative.

Mr. Minor admitted on cross examination that at an earlier point in this litigation, as well as during his deposition, Plaintiff only claimed that its damages consisted of a single year's lost fees, or $45,175.00. However, Minor attested that further reflection revealed that since 1983, several hundred of his clients have stayed more than 5 years, justifying a longer period of five years for damages asserted. When questioned on cross examination as to whether such a five year period was merely on speculation, the witness testified that it was based on "a gut feeling", after being in the business for a long time. Mr. Minor was unable to offer any statistical or independent factual support for this conclusion.

As a final element of damages, Plaintiff asserted, through counsel, that its claim for punitive damages remains pending. Mr. Minor further testified that Plaintiff has incurred approximately

$8,000.00 in attorney fees as a result of the instant litigation.

CONCLUSIONS OF LAW

Misappropriation of trade secrets is a recognized tort in Ohio for which damages may be obtained. *Fred Siegel Co., L.P.A. v. Arter & Hadden* (1999), 85 Ohio St.3d 171, 181; *Wiebold Studio, Inc. v. Old World Restorations, Inc.* (1985), 19 Ohio App.3d 246. The State of Ohio has adopted the definition of trade secrets contained in the Restatement of Torts. R.C. §1333.61 provides the following definition in relevant part:

> (D) "Trade secret" means information, including the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, pattern, compilation, program, device, method, technique, or improvement, or any business information or plans, financial information, or listing of names, addresses, or telephone numbers, that satisfies both of the following:
>
> (1) It derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. (2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

The factors to be considered when determining whether information and evidence qualifies as a trade secret are: (1) the extent to which the information is known outside of the business, (2) the extent to which the information is known to those inside the business, i.e. by the employees, (3) the precautions taken by the holder of the trade secret to guard the secrecy of the information, (4) the savings effected and the value to the holder in having the information as against competitors, (5) the amount of effort or money expended in obtaining and developing the information, and (6) the amount of time and expense it would take for others to acquire and duplicate the information. *Pyromatics v. Petruziello* (1983), 7 Ohio App. 3d 131, 134-135; followed in *Murray v. Bank One* (1994), 99 Ohio App. 3d 89.

The Court of Appeals in *Pyromatics* recognized that there exists a "labyrinth of law" concerning trade secrets and unfair competition. A fundamental task of the reviewing court in trade secret misappropriation cases is to engage in a careful balancing of the need to protect trade secrets and the goal of free and vigorous competition. *Id.* at 137. "Often cited as explaining the nature of a trade secret is the opinion of Justice Oliver Wendell Holmes in *E.I. Du Pont de Nemours Powder Co. v. Masland* (1917), 244 U.S. 100, wherein it was observed that trade secret laws are not those of property but the equitable principles of good faith applicable to confidential relationships. The employer who has discovered or developed trade secrets is protected against unauthorized disclosure or use, not because he has a property interest in the trade secrets but because the trade secrets were made known to the employee in a confidential relationship." *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.* (1986), 24 Ohio St.3d 41, 45.

There is no presumption that any particular idea imparted to or acquired by an employee is a trade secret unless the possessor takes active steps to maintain the secrecy. *Water Management, Inc. v. Stayanchi* (1984), 15 Ohio St.3d 83, 85. More specifically, a possessor of a potential trade secret must take some active steps to maintain its secrecy in order to enjoy presumptive trade secret status, and a claimant asserting trade secret status has the burden to identify and demonstrate that the material is included in categories of protected information under the statute. *Fred Siegel Co., L.P.A. v. Arter & Hadden* (1999), 85 Ohio St.3d 171, 181. Accordingly, to support a claim for misappropriation of trade secrets, a plaintiff must present evidence of facts which show the extent to which information is known outside the business and the precautions taken to guard the secrecy of information. *Biomedical Innovations, Inc. v. McLaughlin* (1995), 103 Ohio App.3d 122.

The Court of Appeals for the Eleventh District in the case of *Smith v. Demastus* (Nov. 21, 1977), Portage App. No. 712, unreported, provided the following historical overview of trade secret disposition in Ohio in instances involving a customer list:

> "The cases, as might be expected, revolve around the question of what is confidential information or a trade secret. If, for example, employees leave their former employer carrying with them a written customer list, that can be considered confidential information and cannot be used. A & B Refuse Disposers, Inc. v. McFarland, Court of Appeals for Portage County, Case No. 647 (1976). In that decision, the case of French Bros. Bauer Co. v. Townsend Bros. Milk Co., 21 Ohio App. 177 (Court of Appeals, Hamilton County, 1925), was cited. The case holds basically that employees who know a customer list from memory can also be enjoined from taking advantage of such a list. Other cases, however, don't go that far. For example, in Fremont Oil Co. v. Marathon Oil Co., 92 OL Abs. 76 (Sandusky County Common Pleas Court, 1963), the employees not only left Fremont Oil with customer lists but also route information including where the customer's gasoline tanks were located, the customer's credit history, and the discount and pricing policies of the business. The information, after all, was the property of Fremont Oil Co. and was needed for the conduct of the company's business when replacement drivers were needed. Consequently, there was little question that this was a case where the former employer could enjoin the use of a customer list.
>
> Other examples of cases where the courts held that a customer list could not be used include White Baking Co. v. Snell, 28 Ohio N.P. (n.s.) (1930). In that case the Court felt that the written customer list should not be used by the departing employee since the list represented a great deal of effort on the part of the employer to assemble the names of customers through expensive advertising. In Monitor Stove Co. v. Williamson Heater Co., 18 Ohio App. 352 (1923), the use of a customer list was enjoined since it included sales information. See also W. R. Grace & Co. v. Hargadine, 392 F. 2d 9 (C.A. 6, Ohio, 1968). In Soeder v. Soeder, 82 Ohio App. 71 (1947), the Court felt that former employees who occupied confidential relationships with the previous employers especially should not use customer lists. That was also the situation in French Bros. Bauer Co. v. Townsend Bros. Milk Co., 21 Ohio App. 177 (1925), where the Townsend brothers left French Bros. Bauer Co. after having management positions. The Court felt that the brothers could not solicit customers even though there was no actual written customer list since the Townsend brothers simply knew every customer and the ins and outs of the company they left."

Id. at 3-5.

Upon consideration of the aforementioned authority, this Magistrate observes that the vast majority of the facts at issue in this matter are either stipulated or were uncontested at trial. The crucial disputes for the Court to initially determine are first, whether sufficient steps were taken by Plaintiff to guard the secrecy of its client's information and secondly, whether the fact that Defendant utilized only his memory in his post-employment solicitations, rather than physical evidence such as a written client list, precludes Plaintiff from recovering under Chapter 1333 of the Ohio Revised Code.

In reconciling the evidence submitted by both sides, the Magistrate finds that it was sufficiently demonstrated at trial that Plaintiff's actuarial firm recognized and disseminated to its employees the position that its client information was not to be made public and that a general level of confidentiality surrounded such proprietary information. Albert R. Minor, Jr. testified that through his verbal instructions, as well as the circulated Computer Usage Policy, Plaintiff reminded its employees that client names, along with associated information, were confidential and not to be made public, nor was such information to be removed from the confines of the office.

In response, Robert E. Martin acknowledged that he understood in general terms that certain client information was proprietary. Moreover, when given the opportunity, Mr. Martin failed to testify with any specificity to the contrary and did not effectively refute Mr. Minor's representations. The following facts were also uncontroverted: (1) Plaintiff screened its visitors by use of a door chime attached to the only door unlocked for public entry, (2) the computer system which contained the firm's client list was password protected, (3) the firm's files were not located near the office's entry and were not in an area exposed to visitors or the public, and (4) the suite was locked at night and during times employees were not present. These are consistent with the factors the Ohio Supreme Court has recognized as relevant. See *Fred Siegel Co., L.P.A. v. Arter & Hadden* (1999), 85 Ohio St.3d 171, 182; *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.* (1986), 24 Ohio St 3d 41, 45. While the parties were also in agreement that Mr. Minor occasionally revealed several clients from the list as a part of a marketing strategy, this isolated act does not remove or destroy the confidential nature of the firm's master client list as a whole.

The Magistrate arrives at such factual conclusions independent of any statements contained within the distributed employee handbook. *Plaintiff's Exhibit 4.* Based on the fact that said document was received only the day before Mr. Martin's departure, the undersigned determines that it is not controlling or compelling with respect to the issues in this action. Furthermore, the Magistrate finds Catherine J. Bender's characterization of Plaintiff's firm as having "no security measures in place" to be lacking in credibility. Irrespective of her motives to be truthful, Ms. Bender's testimony simply was not persuasive in its attempt to contradict Mr. Minor. Although the witness generally concluded that no security was maintained by Plaintiff, she failed to dispute any of the measures outlined by Mr. Minor in his testimony, which are recognized precautions. In addition, the mere possibility of an individual rifling through Plaintiff's garbage or engaging in surreptitious acts, as proposed by Ms. Bender, are not the type of evidence traditionally considered in this type of inquiry.

As a result, the Magistrate resolves this factual dispute in favor of Plaintiff, concluding that Plaintiff demonstrated at trial by a preponderance of the evidence that it took precautions to keep its customer information secret.

The second preliminary question asks whether a departing employee's use of his or her memory alone allows the employer to even allege a claim for trade secret misappropriation. This is a purely legal issue.[2] Defendants maintain that because Mr. Martin left with only his recollection of those clients which he serviced at Plaintiff, and solicited them solely based on his memory, Plaintiff's claims are without merit. This Magistrate disagrees.

The Tenth District Court of Appeals has directly addressed this issue and failed to register a distinction as to whether a client list is created from a writing or from memory. *Mesarvey, Russell & Co. v. Boyer* (Jul. 30, 1992), Franklin App. No. 91AP-974, unreported. The Court of Appeals in that case provided the following:

> "Whether created from a writing or from memory, a client list is a statutory trade secret under R.C. 1333.51(A)(3) The purpose of Ohio's trade secret law is to maintain commercial ethics, to encourage invention, and to protect employers' investments and proprietary information. Levine, supra, at 28. Although a court cannot erase defendant Boyer's memory, defendants can be ordered to refrain from using the client list created from his memory to solicit MRC clients in the future. By doing so, plaintiff's significant interest in its client base can be protected from defendants' unfair solicitation and, at the same time, plaintiff's statutory trade secret information can be protected." *Id.* at 37-38.

This Magistrate views the authority offered by Defendants to be disharmonious with the aforementioned precedent from the Tenth District. Moreover, the case of *Curry v. Marquart* (1937), 133 Ohio St. 77, relied upon in the authority submitted by Defendants, can be distinguished as a case that did not involve disclosure of trade secrets or confidential information. Accordingly, the Magistrate rejects Defendants' legal argument, which they insist is dispositive in this respect.

With these two gateway issues decided in Plaintiff's favor, the Court must next engage in a balancing of the conflicting right of an employer to protect secret information that was developed through its own initiative with the right of employees to earn a livelihood by utilizing their personal

[2] The Magistrate recognizes that the Court answered this question in the negative on summary judgment, but for purposes of trial, revisits the issue *de novo*.

skill, knowledge and expertise. *Buckeye Business Forms, Inc. v. Sutton* (Dec. 14, 1999), Franklin App. No. 99AP-395, citing *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.* (1986), 24 Ohio St.3d 41, 46.

After undertaking such a balancing in conjunction with the findings of fact as set forth above, the undersigned Magistrate concludes that the list of Plaintiff's customers constitutes an intangible asset that Plaintiff has spend considerable time and resources to develop over a span of many years. Moreover, sufficient precautionary measures were put in place by Plaintiff that it was reasonable to assume that such information would not be disseminated to Plaintiff's competition or the public at large. In reaching this decision, the Magistrate is guided by the reasoning set forth by the Tenth District Court of Appeals in *Vanguard Transportation Systems, Inc. v. Edwards Transfer & Storage Co.* (1996), 109 Ohio App.3d 786. That decision states as follows:

> "While there was no confidentiality agreement between Smithhart and Vanguard, the evidence shows that there was an understanding by Menne and Smithhart that Smithhart was not to disclose information pertaining to customer lists, driver lists and rate quotes. Menne testified that he had spoken to Smithhart regarding the confidential nature of the information to which she was privy. Even Sanders testified that he considers Edwards' customer files protected information. Although a list of shippers may be found in The Harris Industrial Guide, a freight industry publication, there is no readily available means by which a carrier can specifically identify another carrier's customers, traffic managers or commodity information." *Id.* at 791-792.

In the matter *sub judice*, the Magistrate recognizes that a similar understanding of non-disclosure was shown to exist at Plaintiff's firm with respect to its customer list. Equally, the facts demonstrate that no readily available means or independent source exists whereby an individual such as Mr. Martin could identify which clients were serviced by Plaintiff or which clients were in need of third-party pension plan administration services. Defendants spent considerable energy at trial attempting to illustrate to the Court that through the utilization of the internet site freeErisa.com, a browser could merely enter "Minor" or some other search term and obtain all the information that Defendant is alleged to have misappropriated. Unfortunately for Defendants, this was not persuasive; first, because Mr. Minor admitted to not engaging in this type of search, and secondly, the sample searches offered at trial failed to generate information related to any of the 15 clients listed by Defendants on Page 3 of Plaintiff's Exhibit 1.

Several reviewing courts have offered an analogy of a phonebook. That is to say, the mere fact that each of the clients at issue are listed in a telephone directory, or can be entered by name in a database, does not raise an inference that they are "easily ascertainable." *Giovinazzi v. Chapman* (Aug. 26, 1982), Cuyahoga App. No. 44241, unreported; *Commonwealth Sanitation Co. v. Commonwealth Pest Control Co.* (1961), 87 Ohio Law Abs. 550. This Magistrate agrees with such reasoning and further recognizes that the evidence at trial showed that Plaintiff's clients represent divergent trades, industries or businesses, thereby rendering less informed searches or solicitation very difficult.

Accordingly, as the Court of Appeals held in *Vanguard*, the undersigned Magistrate finds that the evidence demonstrates that the type of information misappropriated by Mr. Martin was information that took Mr. Minor years of time and effort to compose and if such conduct was held to be permissible, Mr. Martin would be able to duplicate Plaintiff's longstanding efforts virtually overnight. Consequently, this Magistrate determines that Defendants are liable to Plaintiff for misappropriation of trade secrets.

When a meritorious claim is presented for trade secret misappropriation, R.C. 1333.63 states that damages recoverable may include both the actual loss caused by the misappropriation and the unjust enrichment caused as a result. Upon review of the evidence, with emphasis on Plaintiff's

Exhibits 1, 8 and 9, the Magistrate finds that Plaintiff demonstrated at trial that it is entitled to one year's annual fees from those clients enumerated in Plaintiff's Exhibits 1, page 3. Plaintiff's Exhibit 8 provides these respective annual fees in table format, resulting in a total of $45,175.00.

The Magistrate excepts from this award the following clients: JJ Video; Bose, McKinney & Evans, LLP; Community Physicians of Yellow Springs, Inc.; Dale Franklin; and Rutherford Funeral Homes, Inc. As conceded by Mr. Minor, JJ Video was in the process of terminating its third-party administration services at the outset of Mr. Martin's departure and therefore, should not be included in damages. Secondly, Bose, McKinney & Evans is a client that Mr. Martin brought with him to Plaintiff and therefore, is not the byproduct of the confidential relationship between Martin and Plaintiff. See *Soeder v. Soeder* (1947), 82 Ohio App. 71, 75. Finally, the uncontroverted testimony of Mr. Martin indicates that Community Physicians of Yellow Springs, Inc., Dale Franklin, and Rutherford Funeral Homes, Inc. are each clients that were not solicited by Martin, but rather, initiated contact with Defendants and terminated Plaintiff on their own. See *Smith v. Demastus* (Nov. 21, 1977), Portage App. No. 712, unreported at 7.

With these adjustments to the annual fees listed in *Plaintiff's Exhibit 8*, the Magistrate calculates total annual fees at $25,973.00. As a consequence, this Magistrate determines Plaintiff is due $25,973.00, representing lost client's annual fees by Defendant's misappropriation. However, Plaintiff has further asserted that it will continue to encounter damages for a period covering five total years. The fundamental basis of this extension is Plaintiff's inference that historically, its clients typically remain for at least five years.

In general, compensatory damages must be shown with certainty and damages that are merely speculative will not give rise to recovery. *Moton v. Carroll* (Feb. 12, 2002), Franklin App. No. 01AP-

772, unreported. Similarly, damages may not be merely "possible" or "imaginary." *McNulty v. PLS Acquisition Corp.* (Dec. 26, 2002), Cuyahoga App. No. 79025, unreported. Although lost profits need not be proven with mathematical precision, they must be "capable of measurement based upon known reliable factors without undue speculation." *Id.* at ¶87, citing *Ashland Mgt. Inc. v. Janien* (1993), 82 N.Y.2d 395.

After thorough consideration, the undersigned Magistrate finds that Plaintiff's evidence with respect to this issue, which consists of the testimony of Mr. Minor and *Plaintiff's Exhibit 8*, fails to meet the minimal level of certainty to distinguish it from mere speculation. In his testimony, Minor was unable to speak of said damages beyond "a gut feeling" and failed to introduce any statistical or independent factual support. As a consequence, the Magistrate concludes that total annual fees as damages are restricted to a single year.

In its Complaint, Plaintiff further requests that the Court issue injunctive relief. However, Plaintiff withdrew its request for a preliminary injunction early in this litigation and failed to address the continuing need for injunctive relief at trial. As a result, the Magistrate declines to make any inferences that an injunction is a necessary remedy, independent or in addition to those monetary damages proven at trial.

Lastly, the Magistrate addresses Plaintiff's claims for punitive damages and attorney fees. Generally, punitive damages may be awarded in tort cases involving fraud, insult or malice. *Logsdon v. Graham Ford* (1978), 54 Ohio St.2d 336. Punitive damages may be awarded in a trade secret case where the evidence shows that the defendant acted willfully and intentionally and with malicious intent. *Pyromatics v. Petruziello* (1983), 7 Ohio App. 3d 131, 137. Once punitive damages are found to be applicable, the aggrieved party may also recover reasonable attorney fees. *Columbus Finance, Inc. v.*

Howard (1975), 42 Ohio St.2d 178, 183; *Smithhisler v. Dutter* (1952), 157 Ohio St. 454; *White v. Moody* (1988), 51 Ohio App.3d 16.

Upon review, insufficient evidence was presented at trial that Defendants engaged in conduct which justify an award of punitive damages or attorney fees. While there is no dispute that Mr. Martin grew discontent with his employment at Plaintiff, the level of evidence submitted at trial falls short of proving any conduct or motive on the part of Mr. Martin that qualifies as willful, wanton or malicious. Instead, the Magistrate finds that Mr. Martin was simple out for financial gain and in his words, "acting as a capitalist", rather than attempting to exact revenge on Plaintiff for inadequacies from his previous employment.

Based on the foregoing, the Magistrate finds for Plaintiff on the allegations asserted in the Complaint, as indicated above. Accordingly, Plaintiff is entitled to judgment in its favor in the amount of $25,973.00.

As a final procedural matter, it should be noted that a single exhibit was admitted as evidence during the trial by stipulation that contains proprietary information. The Magistrate recommends that in the event the trial transcript and/or exhibits are filed in this matter, the Court order that Plaintiff's Exhibit 9 be sealed to prevent disclosure of confidential information.

DECISION

Based on the foregoing Findings of Fact and Conclusions of Law, it is the Magistrate's decision that Plaintiff is entitled to judgment in its favor in the amount of $25,973.00. Court costs to Defendants. Counsel for Plaintiff shall prepare and submit an appropriate entry.

A PARTY SHALL NOT ASSIGN AS ERROR ON APPEAL THE COURT'S ADOPTION OF ANY FINDING OF FACT OR CONCLUSION OF LAW IN THIS DECISION UNLESS THE

PARTY TIMELY AND SPECIFICALLY OBJECTS TO THAT FINDING OR CONCLUSION AS REQUIRED BY CIV. R. 53(E)(3).

MYRON A. THOMPSON, MAGISTRATE

COPIES TO:
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Samuel N. Lillard, Esq., Attorney for Defendants
Robbin Linton, Magistrates' Secretary

PAGE'S OHIO REVISED CODE ANNOTATED

*** CURRENT THROUGH LEGISLATION PASSED BY THE 127TH OHIO GENERAL ASSEMBLY AND FILED WITH THE SECRETARY OF STATE THROUGH MAY 14, 2007 ***

*** ANNOTATIONS CURRENT THROUGH APRIL 1, 2007 ***
*** OPINIONS OF ATTORNEY GENERAL CURRENT THROUGH APRIL 18, 2007 ***

TITLE 13. COMMERCIAL TRANSACTIONS -- OHIO UNIFORM COMMERCIAL CODE
CHAPTER 1333. TRADE PRACTICES
UNIFORM TRADE SECRETS ACT

ORC Ann. 1333.61 (2007)

§ 1333.61. Definitions

As used in sections 1333.61 to 1333.69 of the Revised Code, unless the context requires otherwise:

(A) "Improper means" includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.

(B) "Misappropriation" means any of the following:

(1) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means;

(2) Disclosure or use of a trade secret of another without the express or implied consent of the other person by a person who did any of the following:

(a) Used improper means to acquire knowledge of the trade secret;

(b) At the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret that the person acquired was derived from or through a person who had utilized improper means to acquire it, was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use, or was derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use;

(c) Before a material change of their position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

(C) "Person" has the same meaning as in division (C) of section 1.59 of the Revised Code and includes governmental entities.

(D) "Trade secret" means information, including the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, pattern, compilation, program, device, method, technique, or improvement, or any business information or plans, financial information, or listing of names, addresses, or telephone numbers, that satisfies both of the following:

(1) It derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

(2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

History:

- 145 v H 320. Eff 7-20-94.

*** CURRENT THROUGH LEGISLATION PASSED BY THE 127TH OHIO GENERAL ASSEMBLY AND FILED WITH THE SECRETARY OF STATE THROUGH MAY 14, 2007 ***

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TITLE 13. COMMERCIAL TRANSACTIONS -- OHIO UNIFORM COMMERCIAL CODE
CHAPTER 1333. TRADE PRACTICES
UNIFORM TRADE SECRETS ACT

ORC Ann. 1333.68 (2007)

§ 1333.68. Construction of provisions

Sections 1333.61 to 1333.69 of the Revised Code shall be applied and construed to effectuate their general purpose to make uniform the law with respect to their subject among states enacting them.

History:

- 145 v H 320. Eff 7-20-94.