

IN THE SUPREME COURT OF OHIO

ROBERT E. MARTIN

Defendant-Appellant,

v.

AL MINOR & ASSOCIATES

Plaintiff-Appellee.

Case Nos. 2007-0121
2006-2340

ON REVIEW OF ORDER CERTIFYING
A CONFLICT BETWEEN THE 8TH AND
10TH DISTRICT COURT OF APPEALS

COURT OF APPEALS
CASE NO. 2006 AP 217

MERIT BRIEF OF PLAINTIFF-APPELLEE AL MINOR & ASSOCIATES

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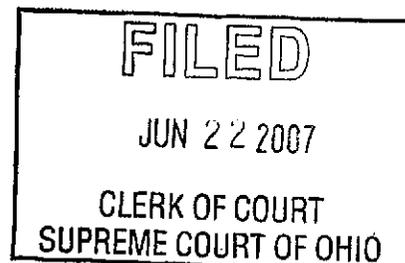


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STATEMENT OF THE FACTS

Plaintiff—Appellee Al Minor & Assoc., Inc. (hereinafter referred to as “AMA”) is an actuarial firm which has been conducting business at its current location since 1983¹. AMA also serves as a third party administrator of qualified retirement plans, which assists businesses in the creation, development and management of those plans, including ERISA plans. (Martin Appx 39). AMA built its business through hard work and word of mouth over the last 23 years. AMA’s office has been virtually the same for 19 years and AMA takes precautions to keep the premises secure and proprietary information such as the client list confidential. (Martin Appx 40).

Defendant—Appellant Robert E. Martin (hereinafter referred to as “Martin”) moved to Ohio and was employed by AMA as a pension analyst. Martin was assigned to particular clients of AMA. During his employment with AMA, Martin had several disciplinary problems including but not limited to conflicts with clients and sexual harassment of co-workers. (Martin Appx 42). Evidence at trial showed that Martin “had access to confidential information, including names of clients, their addresses, telephone numbers and contacts, which constitute trade secrets under Ohio law.” (Martin Appx 38).

Magistrate Thompson found:

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.

¹ Appellant Robert Martin did not object to the Magistrates’ Findings of Fact. Therefore those findings are conclusive. See Ohio Civ. R., Rule 53(D)(3)(b)(iii).

Mr. Martin acknowledged that AMA's client list would give anyone a business advantage but rationalized any detriment to AMA by the theft of said list as "fair game in a capitalistic society." (Martin Appx 43).

AMA had in place a Computer and Internet Usage policy which was distributed to all employees during Martin's employment. The policy specifically referenced "proprietary Company information" and placed employees on notice not to copy or remove such information from their PC's. (Martin Appx 40). Mr. Minor also discussed with Mr. Martin that the client list was confidential and not made available to the public (Martin Appx 41).

Martin formerly resigned from AMA on January 7, 2003. However, before resigning, Martin took steps to organize his own company which would subsequently compete with and solicit the clients of AMA. (Martin Appx 43). In an effort to establish his new business, Martin acknowledged that he solicited the clients of AMA by sending letters to a number of those clients (for whom he performed services) announcing the formation of his new company and offering to provide services for approximately 90% of what they were paying to AMA. (Martin Appx 43).

At the time Martin started his new company the evidence at trial showed that there were tens of thousands of pension plans in Ohio. (Martin Appx 43). Martin admitted that there is no handy resource whereby one can quickly determine businesses that are in need of qualified retirement plan administration services. (Martin Appx 43). Limited information regarding retirement plans is submitted to the Department of Labor by the filing of a form 5500 which is public record. These filings contain limited information concerning the plan but do not provide the name and telephone number of the day to day contact person. (Martin Appx 45). The form 5500 can be found on the website <http://www.freeerisa.com>. (Martin Appx 45). Judge Fais, while discussing Magistrate Thompson's findings of fact, stated: "Magistrate Thompson

concluded that the facts demonstrated that no readily available means or independent source exists whereby an individual such as Defendant [Martin] could identify which clients were serviced by Plaintiff [Minor] or which clients were in need of third-party pension plan administration services.” (Martin Appx 34). In fact, Mr. Martin admitted he did not obtain the names of the 15 clients from a random search of the internet. (Martin Appx 46).

Martin also admitted that he was new to Ohio and had few, if any contacts in Ohio. Most disturbingly, it is an admitted fact that Martin purposefully solicited several clients of AMA. (Martin Appx 44).

Martin did not sign a non-competition agreement. However AMA has no desire to limit or prohibit Martin from working with or for any competitor or even operating his own company. All requests for injunctive relief were dismissed by AMA very early in this litigation. (Martin Appx 36). AMA pursued the current action seeking monetary damages for the past misappropriation of its client list which the trial court determined is a trade secret.

ARGUMENT

Martin asks this court to turn O.R.C. § 1333.61 into a roadmap for how disgruntled employees are to go about misappropriating trade secrets. If memorization is made an exception to liability for misappropriating trade secrets then no employers’ trade secrets are protected, and the statutory prohibitions contained in O.R.C. 1333.61 and the Uniform Trade Secrets Act will be rendered meaningless. Courts in Ohio have refused to adopt this result and most other jurisdiction who have adopted the Uniform Trade Secrets Act, or a statute modeled thereafter, have found that trade secrets are entitled to protection regardless of whether the trade secret was written or memorized by the offending party. Martin misappropriated AMA’s trade secret and should be held accountable.

In deciding this case, it is of the utmost importance that this court focus on the correct issue. Martin's brief raises several arguments and issues that Martin has either previously waived by not previously raising or by raising issues that have previously been put to rest by the trial court and court of appeals.

The correct issue before this court is whether a client list which is a trade secret, loses its trade secret status and the protection to which it is entitled under O.R.C. § 1333.61 once it is committed to an employee's memory.

The trier of fact has already determined upon the greater weight of evidence that AMA's client list is a trade secret subject to protection under O.R.C. § 1333.61 and as this court has previously held, a reviewing court should not substitute its judgment for that of the trial court on such factual issues. *Valco Cincinnati, Inc. v. N & D Machining Service, Inc.* 24 Ohio St.3d 41, 492 N.E.2d 814, 59 A.L.R.4th 629, 24 O.B.R. 83.

To allow Martin to raise arguments for the first time now before the Ohio Supreme Court would frustrate the orderly administration of justice. As this court has previously stated in *State v. 1981 Dodge Ram Van*, (1988), 36 Ohio St.3d 168 at 527: "* * * the legitimate state interest in orderly procedure through the judicial system is well recognized as bounded on the desire to avoid unnecessary delay and to discourage defendants from making erroneously records which would allow them an option to take advantage of favorable verdicts or to avoid unfavorable ones. * * *" As will be pointed out below, several of the arguments now raised by both Martin and Amicus are arguments which are not properly before this court and therefore should not be considered.

Proposition of Law No. 1:

Client lists compiled strictly from memory can be trade secrets subject to statutory protection under O.R.C. § 1333.61

This issue should not turn on the process or manner by which a trade secret was taken as Martin suggests, but rather should turn on the injury suffered by the employer as that was the harm intended to be protected against by Ohio's legislature. The manner in which this injury is brought about should be immaterial as the Tenth District and most other jurisdictions have correctly ruled.

a. Ohio law favors protection of memorized trade secrets

Understanding Ohio's history with regard to trade secrets is imperative in understanding how and why the Tenth District case now being examined should be adopted as the law of this state. The history of Ohio's law with regard to Trade Secrets was best summarized in a law review article published by Cleveland State University in 1993. "Ohio's legal history regarding trade secrets may afford the state the distinction as being the 'trade secrets capitol of the United States.'" See John M. Tkacik, Jr., Protecting Trade Secrets and Confidential Information From Media Disclosure, Cleveland State Law Review (1993). This distinction was based upon strict protection of employer's trade secrets and severe criminal penalties² for knowingly violating the trade secret of another.

Like every other state, Ohio's law with regard to trade secrets began with common law. As explained below, several of the cases and rules relied upon by the Eighth and Sixth District are based on common law.

Until 1967, Ohio based its law with regard to trade secret protection on common law. In 1967, Ohio's legislature adopted O.R.C. § 1333.51 titled "Theft or conversion of trade secret". Despite the Uniform Trade Secrets Act being drafted in 1970 and its approval for enactment in 1979, Ohio continued to rely solely on its own statute, O.R.C. § 1333.51. O.R.C § 1333.51 was

² O.R.C. § 1333.99(E) prior to amendment in 1995 provided that theft of a trade secret was a third degree felony.

in effect for approximately 27 years until 1994. In 1994, Ohio became the 38th state to adopt the Uniform Trade Secrets Act and by doing so, Ohio's legislature made several changes with regard to trade secret law in Ohio. These changes resulted from modifications in the statutory text between O.R.C. § 1333.51 and the Uniform Trade Secrets Act, which upon adoption repealed O.R.C. § 1333.51 and codified the Uniform Trade Secrets Act as O.R.C. § 1333.61.

The current district conflict between the First, Tenth, Eighth and Sixth Districts directly ties in to the history set forth above and the Eighth and Sixth District cases can be distinguished based upon a close review of this state's trade secret history. Accordingly, the law as set forth by the First and Tenth District should be made the law of Ohio. The Tenth District has properly held:

“Whether created from a writing or from memory, a client list is a statutory trade secret under R.C. 1333.51(A)(3)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, AMA's significant interest in its client base can be protected from defendants' unfair solicitation and, at the same time, AMA's statutory trade secret information can be protected.”

Mesarvey, Russell & Co. v. Boyer (July 30, 1992), Franklin App.No. 91AP-974, 1992 WL 185656; citing *Levine v. Beckman* (1988), 48 Ohio App.3d 24; see also *Premier Courier, Inc. v. Flaherty*, (Ohio App. 10 Dist.), 1995 WL 571846. This should be the law of Ohio with regard to memorization of trade secrets.

Prior to the adoption of O.R.C. § 1333.61, there was a split in the law of Ohio as to whether trade secrets could be misappropriated by resort to one's memory. The First District succinctly held:

³ O.R.C. § 1333.51(A)(3) was legislatively replaced by § 1333.61(D), but the text and treatment of the statutes are identical.

The protection afforded by the law of trade secrets is not based upon property rights, but on principles of good faith and confidentiality. *Valco Cincinnati v. N & D Machining Service* (Dec. 19, 1984), Hamilton App. No. C-830850, unreported, affirmed (1986), 24 Ohio St.3d 41, 492 N.E.2d 814. Thus, it follows that in order to misappropriate trade secrets such as customer lists it is not necessary to take physical possession of them. The principles of good faith and confidentiality can just as easily be violated by resort to one's memory. Cf. *French Bros. Bauer Co. v. Townsend Bros. Milk Co.* (1925), 21 Ohio App. 177. Although former employees have a right to compete for the business of their former employer's customers, and in the exercise of that right can take with them general skills and knowledge that they have learned, see *Albert B. Cord, Inc. v. S & P Management Services, Inc.* (1965), 2 Ohio App.2d 148, 207 N.E.2d 247, they cannot take with them, and appropriate for their own use, their ex-employer's trade secrets, even if those secrets have become so familiar to the former employees that they no longer need to see them in writing.

See *Interstate Service Ins. Agency, Inc. v. McIntire* Not Reported in N.E.2d, 1991 WL 1386 Ohio App.,1991. This line of common law as determined by the First District recognized the danger in allowing employees to misappropriate trade secrets by memorizing them as opposed to misappropriating a tangible object. The First and Tenth District have correctly recognized the harm that would befall any company or entity which maintains and relies upon trade secrets for continued business success.

Martin cites *Ellison & Assoc. v. Pkarek*, Cuyahoga App. No 49560, 1985 WL 8627 (Ohio App. 8) which addressed an ex-employee's resort to memory in dicta only. In *Ellison*, an accountant left her accounting firm after a salary dispute. The ex-employee thereafter solicited four doctors as clients. The Eighth District stated that it was not a violation of O.R.C. § 1333.51 for the ex-employee to do so. However, the Eighth District's determination that ex-employee had not violated O.R.C. § 1333.51 was not dispositive and the Eighth District's comments should not be persuasive to this court. Specifically, the Eighth District addressed this matter in two short paragraphs without providing any background or support for how it reached this conclusion. The Eighth District did not examine or analyze the matter in detail and the Eighth

District apparently did not consider whether the doctors' names at issue were even a trade secret. The assignment of error being discussed by the Eighth District had already been made moot and the Eighth District simply referenced a previous case, *Michael Shore & Co. v. Greenwald*, Cuyahoga App. No. 48824, 1985 WL 17713.

Michael Shore can be distinguished from this case. *Michael Shore* involved the Eighth District adopting and applying a previous ruling that pertained to memorization of confidential information. The previous ruling relied upon comes from *Albert B. Cord Co. v. S. & P. Management Services, Inc.* 2 Ohio App.2d 148, 207 N.E.2d 247 Ohio App. 1965. *Albert B. Cord Co.* case was decided in 1965 and relied upon an Ohio State Supreme Court case ruling from 1937. *Albert B. Cord Co.* held "The cast at bar, in the opinion of this court, comes clearly within the rule laid down in *Curry v. Marquart*, 133 Ohio St. 77, 11 N.E.2d 868 (1937)" The rule laid down in *Curry* is 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.

Martin also cites *Perfect Measuring Tape Co. v. Notheis*, (6th App. Dist. 1953), 114 N.E.2d 149, 153; 93 Ohio App. 507, 511 for support. This case is also predicated upon the same law as stated in *Curry v. Marquart*, (1937) 133 Ohio St. 77, 11 N.E.2d 868. In *Perfect Measuring Tape Co.*, the Sixth District stated "While there appears to be some conflict among the decisions of the reviewing courts, the prevailing rule, to which attention has been directed, is concisely stated in the syllabus of *Curry v. Marquart*."

Tracing the history of this law is very relevant because much, if not all, of the case law in Ohio which has determined memorization of a trade secret defeats trade secret status turns on the rule laid down in *Curry*. In *Curry* this court ruled that absent the taking of a trade secret, a former employee could solicit his/her employer's clients. In deciding *Curry*, this court specifically stated, "This case involves no questions of trade secrets or confidential information." *Curry*, supra at 79. Notwithstanding that finding by this court, the Eighth and Sixth Circuits, as stated above, claimed to rely upon this court's holding in *Curry* for support of the proposition that memorized client lists can not be trade secrets.

Any argument or interpretation of *Curry* that client lists could not or should not be considered trade secrets should be laid to rest. That interpretation was specifically rejected with Ohio's adoption of O.R.C. § 1333.61. Ohio's legislature expressly made client lists a trade secret when certain requirements are met. The requirements have been met in this case and the factual question of whether AMA's client list is a trade secret is not before this court.

One can only speculate how the court would have ruled if the trade secrets issue was before it. Accordingly, the law upon which the Eighth and Sixth Districts relied can be distinguished and the law in Ohio should be as promulgated by the First and Tenth District as any other conclusion would be unjust, and would not promote commercial ethics.

Additional support for this argument comes from closely examining the differences between O.R.C. § 1333.61 and its predecessor, O.R.C. §1333.51. O.R.C. § 1333.51(B)-(E) provides what constitutes misappropriation of a trade secret. Those sections read as follows:

- (B) No person shall, with intent to deprive or withhold from the owner thereof the control of a trade secret, or with intent to convert a trade secret to his own use or the use of another, obtain possession of or access to an article representing a trade secret.

- (C) No person, having obtained possession of an article representing a trade secret or access thereto with the owner's consent, shall convert such article to his own use or that of another person, or thereafter without the owner's consent make or cause to be made a copy of such article, or exhibit such article to another.
- (D) No person shall, by force, violence, threat, bribe, reward, or offer of anything of value on or to another person or member of his family, obtain or attempt to obtain from such other person an article representing a trade secret.
- (E) No person shall, without authorization, enter upon the premises of another with intent to obtain possession of or access to an article representing a trade secret.

O.R.C. § 1333.51 exhaustively describes what can constitute a trade secret under Ohio's law and those sections specifically require the taking or abuse of an "article". The use of the term "article" implies that the trade secret can not be memorized.

More importantly, the "article" required under Ohio' old law was expressly, and presumably intentionally, omitted from the current trade secret law codified in O.R.C. § 1333.61. This omission by Ohio's legislature, combined with the previous distinctions outlined regarding Ohio's common law on trade secret misappropriation have paved the way for this court to now properly hold that trade secrets do not lose their statutory protection once committed to an employee's memory.

The law as determined by the First, Ninth and Tenth district in Ohio have all correctly ruled that resort to one's memory does not relieve a trade secret from protection under O.R.C. 1333.61.

- b. Other states and jurisdictions support the protection of memorized trade secrets.

The vast majority of other jurisdictions have agreed with the Tenth District that a trade secret can just as easily be misappropriated by resort to one's memory as it can by removal of a tangible object. Martin argues otherwise and provides a list of cases which allegedly support the

Eighth and Sixth District cases holding otherwise. A quick review of the cases cited by Martin reveals several problems.

First, nearly all of the cases cited by Martin were decisions prior to the creation of the Uniform Trade Secrets Act and rely heavily on common law. Martin cites 10 cases for support of his assertion that other states and jurisdictions permit the memorization of a client list. See Martin Brief, pg 22. Martin is factually incorrect in making this assertion. Of the 10 cases cited by Martin, 7 were ruled upon prior to the drafting of the Uniform Trade Secrets Act and hence, prior to 1965. Of the three cases cited that were ruled upon in the last 15 years, a closer reading of those three cases easily distinguishes each from the facts now before this court. Also, reading these cases individually shows that they do not hold that trade secret status is defeated by resort to one's memory. For example, one of the three cases that has been decided in the last 15 years is *Hoskins Mfg. Co. v. PMC Corp.*, (E.D. Mich. 1999), 47 F.Supp.2d 852. While Martin presumably cites this case as support for showing that Michigan recognizes a distinction between memorized and written trade secrets, this is not what the case discusses. *Hoskins Mfg. Co.* involved an employee who worked for a company which produced "MI" cable. During his employment the ex-employee learned various methods for producing MI cable. The employee quit and began working for a company that was attempting to enter the MI cable industry. The United States District Court for the Eastern District of Michigan upheld an injunction preventing the employee from disclosing any trade secrets for a period of three years. The Court allowed Defendant to continue his employment with the competitor because there was no evidence that in the course of doing so the Defendant—ex-employee was or had disclosed any trade secrets of Plaintiff. More importantly though the court in *Hoskins* recognized the harm that could occur in

affirming the three year injunction preventing the ex-employee from disclosing his previous employer's trade secrets which were entirely devoted to memory.

Currently, 44 states and the District of Columbia have enacted statutes modeled after the Uniform Trade Secrets Act. Two states, Alabama and Massachusetts, have separate state statutes protecting trade secrets and four states, New York, New Jersey, Texas and Wyoming, rely upon common law to protect trade secrets. See 5 Rudolf Callmann, Callmann Unfair Competition, Trademarks and Monopolies, § Appx 20 (Thompson West 4th ed. Supp. 2007). The issue of whether a memorized client list can constitute a trade secret has arisen in several of these jurisdictions.

Recently, the Washington State Supreme Court took up this exact issue currently before this court in *Ed Nowogroski Insurance Inc. v. Rucker*, 137 Wash. 2d 427, 971 P.2d 936 and found that there is no legal distinction between written and memorized information under the Uniform Trade Secrets Act. In coming to that conclusion, the Washington Supreme Court analyzed:

In the present case, the trial court's conclusion that only written confidential customer lists are protected conflicts with prior Washington law on trade secrets and essentially adds an element to the Uniform Trade Secret Act's definition of a trade secret. While the Act defines a trade secret as a compilation of information that derives independent economic value from not being generally known or readily ascertainable to others and subject to reasonable efforts to maintain secrecy, the trial court added the element that such information be taken or misappropriated while in some tangible form. If an employee was privy to a secret formula of a manufacturing company, which was valuable and kept secret, it should not cease to be a trade secret if an employee committed it to memory. See *Schulenburg v. Signatrol, Inc.*, 33 Ill.2d 379, 212 N.E.2d 865 (1965) (holding that it should make no difference whether information in blueprints had been pilfered by tracing the blueprints, had been memorized by someone with a photographic memory, or had been committed to memory by constant exposure to the prints while in the employ of the AMAs). While customer lists may or may not be trade secrets depending on the facts of the case, we conclude that trade secret protection does not depend on whether the list is taken in written form or memorized.

Id. at 948. Most jurisdictions have closely followed the Washington Supreme Court logic in determining that memorization does not defeat trade secret status. See *Ruesch v. Ruesch Intern. Monetary Services, Inc.* (D.C. 1984), 479 A.2d 295 (Once a customer list is afforded trade secret protection, it is immaterial whether list was taken or copied or whether it was memorized. In this regard, once a customer list is afforded trade secret protection, it is immaterial whether the list was taken or copied or whether it was memorized. *Velo-Bind, Inc. v. Scheck*, (S.D.N.Y.1979) 485 F.Supp. 102, 107; *Jet Spray Cooler, Inc. v. Crampton*, (1972) 361 Mass. 835, 840, 282 N.E.2d 921, 925; *Central Plastics Co. v. Goodson*, (Okla. 1975) 537 P.2d 330, 334; *J.L. Cooper & Co. v. Anchor Securities Co.*, 9 Wash.2d 45, 64, 113 P.2d 845, 854 (1941); see also *Morlife, Inc. v. Perry* 56 Cal.App.4th 1514, 66 Cal.Rptr.2d 731 Cal.App. 1 Dist.,1997.

Another frequently cited case is *Stampede Tool Warehouse, Inc. v. May*, (1st Dist. Ill. 1995) 651 N.E.2d 209. In *Stampede*, the Illinois Appellate Court made it clear that a claim of trade secret misappropriation can be established by either physical copying or by memorization.

Treatises and articles discussing this issue have also sided with the position that there should be no distinction between trade secrets committed to memory and tangible trade secrets. One frequently cited treatise summarizes this matter succinctly:

...the distinction, between written and memorized information should be not encouraged. The form of the information and the manner in which it is obtained are unimportant; the nature of the relationship and the defendant's conduct should be the determinative factors. The distinction places a premium upon good memory and a penalty upon forgetfulness, and it cannot be justified either from a logical or pragmatic point of view. The modern trend is to discard the written-memorized distinction; and the Uniform Trade Secrets Act has abrogated the common law rule which permitted misappropriation of customer lists by memorization.

See 2 Rudolf Callmann, Callmann Unfair Competition, Trademarks and Monopolies § 14.25 (Thompson West 4th Ed. Supp. 2007). The majority of other jurisdictions, scholars and treatises

have all adopted the position that to create a distinction between memorization of a trade secret and tangible trade secrets would be in error.

c. There should be no exception for casual memory

In the present case, Amicus devotes a considerable portion of their brief attempting to persuade this court to adopt an exception for “casual memory” in the context of using trade secrets. What Amicus is really asking this court to do is adopt a common law rule applied and used in New York. New York has not adopted the Uniform Trade Secrets Act and the only trade secret law applicable in New York is that of common law. See 5 Rudolf Callmann, Callmann Unfair Competition, Trademarks and Monopolies, § Appx 20 (Thompson West 4th ed. Supp. 2007). Notwithstanding the fact that Amicus wants this court to adopt another state’s common law rule which does not in any way take into account the Uniform Trade Secrets Act, even if the “casual memory” rule was adopted, the Tenth District’s holding should still be upheld.

Martin also fails to properly explain how the “casual memory” rule is used in other jurisdictions. This rule comes from *Leo Silfen, Inc. v. Cream*, (1972) 29 N.Y.2d 387, 392-93, 278 N.E.2d 636. *Leo Silfen* has been frequently cited as suggesting that one factor in analyzing a trade secret claim against an employee who has solicited a former employer’s customers is whether the solicitation was merely “the product of casual memory.” Other New York courts have clarified this “casual memory” rule and how it is to be applied. In doing so, *North Atlantic Instruments, Inc. v. Haber*, (2nd Cir. 1972) 188 F.3d 38 analyzed *Leo Silfen* and stated:

While it is true that Haber (ex-employee) likely could remember his contacts at some of the companies that North Atlantic targets, we do not read *Leo Silfen* to describe a broad rule dictating that anything an employee remembers casually is not a trade secret. Rather, *Leo Silfen* expressly notes that customer lists, such as this one, in which customers are not readily ascertainable and in which patronage has been secured only through the expenditure of considerable time and money, are protectable trade secrets.

The second circuit went on to cite 4 Roger M. Milgrim, Milgrim on Trade Secrets, App. 15A-3 (1998) which states “the majority rule is...that appropriation by memory will be restrained under the same circumstances as will appropriation by written list.” *North Atlantic*, supra 188 F.3d 38 at 47.

Amicus also states “To simply ban the use of any information gleaned from casual memory ignores the requirement of viewing situations in context, which impermissibly expands the coverage of Ohio’s Trade Secret Act.” See Amicus Brief, pg 6. While AMA asserts that this “casual memory” exception proposed by Amicus should not be adopted for several reasons, AMA is very supportive of this court viewing this “situation in context” as Amicus proposes. The situation presently before this court involves an employee who moved from out of state to Ohio with no connections to Ohio. (Martin Appx 42). He was employed by AMA and after working there for a couple of years with several disciplinary problems, he undertook forming a new competing business while still under the employ of AMA. (Martin Appx. 42). Then, when Martin’s business was up and running and he was ready, he promptly resigned his position with AMA and immediately sent solicitation letters to numerous clients of AMA offering to provide the same services as AMA but for 90% of the cost AMA was charging. (Martin Appx. 43).

Several other facts are important in order to examine this “situation in context” as Amicus proposes. First, Martin was familiar with AMA Computer and Internet Usage Policy which clearly set forth AMA’s client list as confidential and proprietary information. Secondly, Martin resigned the day after he was asked to sign an employee handbook which contained a non-compete clause. Judge Fais decision stated “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, Defendant (Martin) acknowledged that he understood in general terms that client information was proprietary.” (Martin Appx. 32). While AMA contends that the “casual memory” exception proposed by Amicus does not adequately protect employers and is not consistent with O.R.C. § 1333.61, AMA is very confident that any analysis of this “situation in context” will expose Martin for a disgruntled employee who sought out an unfair business advantage at the expense of his employer.

Amicus then concludes this argument by quoting this court’s previous determination in *Fred Siegel Co., LPA v. Arter & Hadden*, (1999) 85 Ohio St. 3d 171 that whether any particular information is a trade secret is a question of fact to be determined by the trier of fact. AMA fully agrees with Amicus on this point. In fact, there are NO questions of fact which should be determined by this court. The Trial Court clearly found that the client list at issue was a trade secret. (Martin Appx. 59) Martin waived his right to challenge this factual conclusion when he raised no factual objections to the Magistrate’s findings.

d. Protection of memorized trade secrets is not synonymous with a non-compete agreement

Amicus argues that the Tenth District decision imposes a non-compete agreement on Martin. This is absurd. The Tenth District was very clear in addressing and explaining this concern. The Tenth District stated:

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.

Furthermore, Amicus completely ignores the fact that nothing about the Tenth District's ruling impedes Martin's ability to work for a competitor. Martin could work for any other actuarial firm or third party pension plan administrator he desired and AMA would not object. AMA only cares about its trade secrets and absent Martin's purposeful solicitation of AMA's clients, this matter would not have been brought before this court. Presumably Martin developed his job skills and trade craft while under the employ of AMA. That knowledge and any skills learned could have been used for the benefit of any competitor. It was only the misappropriation of AMA's client list which led to this lawsuit--not a desire to curb or prevent Martin from working for himself or a competitor in the actuarial industry. AMA has not at any juncture in this litigation sought to prevent Martin from competing or engaging in the trade of providing actuarial services.

e. Trade secrets can be misappropriated by resort to one's memory.

Martin's actions fit the definition of misappropriation as set forth in O.R.C. § 1333.61(B).

Martin does an accurate job of explaining *part* of the definition of misappropriated. O.R.C. § 1333.61(B)(emphasis added) states as follows:

(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.

Under a plain reading of O.R.C. § 1333.61(B)(2)(b), Martin has misappropriated AMA's client list. Further supporting this is the factual finding by the trial court that Martin knew AMA's client list was confidential proprietary information that had a significant business value. (Martin Appx. 32).

Illinois has also adopted the Uniform Trade Secrets Act and Appellate Courts there have dealt with this exact argument in the context of memorized trade secrets. See *Stampede* supra, 651 N.E.2d 209 (1st Dist., Ill. 1995). In *Stampede*, the court rejected the argument that there hadn't been a misappropriation as the statute required and held:

"There was substantial evidence that defendants misappropriated the customer list either through copying down names or through memorization. In fact, defendants admitted that they redeveloped their customer lists by remembering the names and locations of at least some of their Stampede customers. Using memorization to rebuild a trade secret does not transform that trade secret from confidential information into non-confidential information. The memorization is one method of misappropriation. Since the trial court's findings were not against the manifest weight of the evidence, we affirm the injunctions."

Based on a plain reading of O.R.C. § 1333.61(B) and in light of the facts repeatedly referenced herein, there should be no question that Martin misappropriated AMA's trade secret.

f. There should be no distinction between memorization and written trade secrets.

Throughout his brief, Martin repeatedly directs this court's attention to the alleged differences between a physical or written client list and a client list composed from memory.

Martin fails to point out any differences in the harm suffered and endured by the employer. The purpose of Ohio Trade Secret Law is to protect employers from unfair competition. The client list is unquestionably a trade secret. Whether the trade secret is removed from the business in the form of a piece of paper or removed in the minds of a cunning employee, the end result is the same. The trade secret is removed and misappropriated for the benefit of the ex-employee and to the detriment of the employer. Martin is asking this court to condone a mechanism for the misappropriation of a trade secret without incurring the liability imposed by O.R.C. § 1333.61.

It is important to remember the facts of this case and consider how the same facts will play out in the future if Martin prevails. Martin finished forming his new competing entity one week prior to quitting the employ of AMA. Under Martin's logic, he asserts that it should be found lawful for Martin to memorize the names of as many clients as possible of AMA during his last week. Martin could start his competing company having knowledge of a full client list from which to solicit business without the effort and expense of spending years advertising, marketing and networking as was required for AMA to acquire its client list. This is absurd and is the exact type of unfair competition that Ohio Trade Secret Law was designed to prevent.

The recipe for Coca-Cola is also a trade secret. It is hard to imagine that a court would not restrain an employee of Coca-Cola from using the recipe to Coca-Cola if memorized and then taking up employment with Pepsi or a competing company. The client list in the present case is just as important to AMA as the recipe to Coca-Cola is to Coca-Cola, Inc. Ohio's Legislature did not distinguish between these types of trade secrets and now Martin is not only asking this court to distinguish between the types of trade secrets, but also provide an exception for when certain trade secrets can be misappropriated.

The result and ultimate harm suffered by an employer is the same regardless of whether the harm came as a result of a written list being misappropriated or a memorized list being misappropriated. Martin claims to have identified four differences between a written client list and a memorized client list. However, these differences do not hold up under closer scrutiny. The first difference pointed out by Martin turns on whether there was an actual “taking”. This distinction was abolished when Ohio’s legislature did away with the use of the word “article” when it repealed former O.R.C. § 1333.51 and enacted O.R.C. § 1333.61. The second difference turns on culpability. This is a stretch to say that memorization of a trade secret is done without culpability as Martin suggests. Rather, as previously explained, an employee is morally culpable when he knowingly uses to his unfair advantage, information on clients which the ex-employee knows to have been confidential proprietary information of his previous employer. The third difference relates back to the first and again Martin is attempting to say that since no tangible “article” was taken, O.R.C. § 1333.61 has not been violated. This distinction was abolished by Ohio’s legislature. Finally, Martin states that since a written list can be destroyed, secured and if taken, returned, whereas a mental list cannot be physically controlled, only a written list should be deemed a trade secret. This distinction raised by Martin is somewhat puzzling. Essentially Martin is reverting back to his previous argument that if a client memorizes a trade secret as opposed to physically removing a trade secret, he has done nothing wrong. As previously pointed out, the resulting harm is what O.R.C. § 1333.61 seeks to protect.

The intention of the Ohio Legislature was to prevent the ultimate harm of unfair competition, not to provide guidelines for how employees are supposed to remove trade secrets from their place of business prior to quitting.

PROPOSITION OF LAW II

A customer list that cannot be readily compiled from the internet or other public sources is entitled to trade secret status.

AMA's client list is a trade secret as it satisfies all of the requirements stated in O.R.C. § 1333.61. This court has previously examined what constitutes a trade secret and 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.

This court has previously analyzed and determined if a client list was adequately protected and hence entitled to trade secret status in *Siegel v. Arter & Hadden* (1999) 707 N.E.2d 853, 85 Ohio St.3d 171. In determining the client list in *Siegel* was adequately protected, this court found:

The record demonstrates that the *Siegel* client list was maintained on a computer that was protected by a password. Hard copies of the list were stored within office filing cabinets, which were sometimes locked. Fred Siegel testified during deposition that he "probably" had told employees that the client list information was confidential and not to be removed from the office. These facts raise a genuine issue of material fact as to whether *Siegel* took reasonable actions to ensure that only authorized persons had access to his client list for authorized uses.

The facts in the present case show that AMA took nearly identical precautions to secure his client list with the exception that AMA was even more stringent in telling the employees that

the client list was confidential. Martin admitted that the client information was kept in two places, both being secured. AMA also locked the door every night. Martin has conceded that he understood the client list was to be kept confidential at all times. It stands to reason that one would not go to such great lengths to keep secure a client list which is "easily ascertainable from a public source". As previously stated, there is a strong presumption of secrecy regarding customer lists when the owner of the list take measures to prevent the list, in the ordinary course of business, from being available to persons other than those selected by owner. *Vanguard Transp. Systems, Inc. v. Edwards Transfer and Storage Company General Commodities Division*, (Franklin 1996) 109 Ohio App.3d 786, 673 N.E.2d 182 appeal not allowed 76 Ohio St.3d 1495, 670 N.E.2d 242. Pursuant to this court's precedent set forth above, AMA has met its burden of protecting its client list.

In the present case, Martin continues to argue that AMA's client list is available on the internet and therefore should not be afforded trade secret status. This is simply not the case. The website www.freeERISA.com is a public access website and it does contain information pertaining to all of AMA's clients. The information on the website www.freeERISA.com includes the name and address of all of AMA's clients. However, to properly understand this issue, one must consider how the information is available on the internet. The website www.freeERISA.com allows a person to search by 1) company name, 2) State, or 3) zip code. So essentially, if someone already knew the name of AMA's clients, he could search by client name. Otherwise, he would have to search by State or Zip Code. Conducting a search under either of those methods yields thousands of results. As the magistrate properly found, someone can not simply enter "Al Minor" into a database and have a copy of his client list show up. If this website is deemed to make AMA's client list readily available to the public, then any phone

book should also make AMA's client list readily available to the public because presumably AMA's clients are listed in the yellow pages of a local phone book.

The Tenth District summarized this best when it stated:

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.

If Martin prevails on this argument then no client list comprised of names who have entries in a local phone book would ever be entitled to trade secret status. This is simply an absurd result.

The six factors identified by this court were examined by the Trial Court in this case and it found all six factors to be satisfied. The record in this case shows AMA's reasonable precautions were requiring passwords to prevent anyone from the public accessing his computer databases, and keeping the hard copies in a separate back room and then securely locking the office every night. The Trial Court found it to be an uncontroverted fact that AMA protected the client list in four primary ways: (1) AMA 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 no present. *Id.* The Trial Court also concluded that these are factors the Ohio Supreme Court has held to be relevant and determinative. (Martin Appx 53;

citing *Fred Siegel Co., LPA v. Arter & Hadden*, supra (1999) 85 Ohio St.3d 171, 182; *Valco Cincinnati, Inc. v. N & D Machining Serv., Inc.*, supra (1986) 24 Ohio St.3d 41, 45).

Martin states that by entering AMA's name in the freeERISA search engine, he can view all of AMA's clients. Again, this is simply not true. Several searches on the freeERISA website were conducted in the presence of the magistrate and he found:

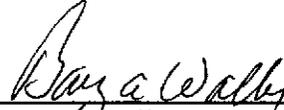
Defendants submitted that one could search under the name "Minor" and receive substantial information regarding AMA's clients, as well as their respective 5500 forms. Defendant's Exhibit G. However, the evidence showed that such a search only revealed six out of approximately 500 of AMA's clients and Mr. Martin conceded that none of those generated are included in the 15 clients at issue in this case.

This website does not make AMA's client list readily ascertainable. Moreover, this factual question was addressed and resolved by the trier of fact and is not properly before this court.

CONCLUSION

AMA worked hard over a 24 year period to build and develop a clientele. AMA's client list is as important to AMA as Coca-Cola's infamous recipe is to Coca-Cola. The trial court recognized the client list as a trade secret. Accordingly, Ohio's legislature has determined that because it is a trade secret, it is entitled to protection from rogue employees just like Minor. Minor is now asking this court to circumvent O.R.C. § 1333.61 and establish a mechanism by which trade secrets can be misappropriated without recourse. This is absurd and completely undermines both the plain language and the purpose of O.R.C. § 1333.61. Accordingly, AMA is requesting this court affirm the ruling of the Tenth District and adopt the Tenth District's holding that trade secrets do not lose their statutory protection under O.R.C. § 1333.61 merely because the trade secret is memorized.

Respectfully submitted,



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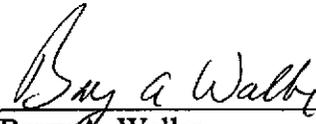
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the Merit Brief of Plaintiff-Appellee Al Minor & Associates was served upon the following person(s) by U.S. mail, postage prepaid, this 22^d day of June, 2007:

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