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In a significant case related to employers' rights to protect confidential information, the Ohio Supreme Court rules that memorized information can be the basis of a trade secret violation.

Unfair Competition & Trade Secrets

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Trade Secrets and Former Employees: Memorized Client Lists Can Still Be Protected as a Secret

By Thomas M. L. Metzger and Jeffrey S. Hiller

The Supreme Court of Ohio has ruled that the use of a memorized client list by a former employee can constitute a trade secret violation. Specifically, in *Al Minor & Associates, Inc. v. Martin*, the Ohio Supreme Court has determined that a trade secret does not necessarily lose its status or protection as a trade secret under the Uniform Trade Secrets Act simply because it has been committed to memory by a former employee. In other words, the Ohio Supreme Court has clarified that a trade secret is a trade secret – regardless of whether it is in writing or memorized.

The Ohio Supreme Court's Decision

Robert Martin previously worked as a pension analyst at a company known as Al Minor & Associates. Al Minor & Associates is an actuarial firm that designs and administers retirement plans. After working at the company for approximately five years, Mr. Martin decided to resign from his employment, and he started his own business in competition with his former employer. Notably, Mr. Martin had not entered into a written non-competition agreement or non-solicitation agreement with his former employer, and the issue before the Ohio Supreme Court did not concern the interpretation or enforcement of an agreement that contained post-employment restrictions.

In his new business, Mr. Martin began to solicit clients – including clients that he recalled were current or former clients of Al Minor & Associates. Mr. Martin did not take his former employer's printed client list or other written confidential

information. Instead, using information he had memorized, Mr. Martin was successful in soliciting 15 clients that previously had been clients with Al Minor & Associates.

In response to Mr. Martin's activity, Al Minor & Associates filed a lawsuit, alleging that Mr. Martin had misappropriated company trade secrets. The trial court agreed and awarded the company in excess of \$25,000 for the damage caused by Mr. Martin. The Ohio Court of Appeals affirmed the decision, but noted that its recognition of trade secret protection for *memorized* client lists was in conflict with another Ohio appellate court decision on this same issue. Consequently, the Supreme Court of Ohio reviewed the issue to resolve the conflict.

In a unanimous decision, the Ohio Supreme Court first emphasized that Ohio has adopted the definition of a "trade secret" from the Uniform Trade Secrets Act (UTSA). (Ohio's version of the UTSA begins in the Ohio Revised Code at section 1333.61). As defined within the UTSA, a "trade secret" can include: "information, including ... 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.*" Of course, not all such information rises to the level of a "trade secret;" rather, the UTSA goes on to explain that such "information" must then have "independent economic value" because it is not generally known and not readily ascertainable by proper

means by others. Moreover, the person or company trying to protect the “information” must also show that reasonable efforts were made to maintain the secrecy of that information. The definition of a trade secret has been applied to include secret formulas, such as the classic example of the recipe for Coca-Cola®, as well as more routine competitive business information, such as secret customer lists.

For purposes of the issue considered by the Supreme Court of Ohio, it was assumed that the customer information that Mr. Martin had used met the threshold definition of a “trade secret.” Therefore, the specific question before the Court was whether trade secret information *loses* its character as a trade secret if it has been memorized.

The Court concluded that, for purposes of trade secret protection, there is no distinction between information that has been reduced to writing or to some other tangible form versus information that has been memorized. Referring to other authorities on this issue, the Supreme Court of Ohio succinctly noted that “memorization is no defense” and that an unauthorized taking of information in one’s head is “no more proper than taking it on paper or electronic form.”

In reaching the conclusion that memorized information can be the basis for a trade secret violation, Ohio joins the majority of the more than 40 states that have adopted the UTSA and ruled upon this specific issue. (Some states, including Georgia and Louisiana, do adhere to the opposite position that only tangible customer lists warrant protection as trade secrets). Finally, the Supreme Court of Ohio made clear that the UTSA does *not* apply to the use of information that fails to meet the definition of a “trade secret.”

What Does This Mean for Employers?

The Supreme Court of Ohio’s decision highlights, and strengthens, an often neglected approach for enforcing trade secret rights. Specifically, depending upon the particular facts, an employer may have a claim for misappropriation of trade secrets even if the former employee’s use or retention of trade secrets was based upon

memorization rather than physical removal of documents or electronic data.

This holding also raises a question as to whether memorization of confidential information that does not have trade secret status could violate a written confidentiality agreement. Furthermore, in the appropriate circumstance, this holding could be used to further support an employer’s claim based upon the inevitable disclosure doctrine. (See Littler’s February 2007 Midwest ASAP, *Competition from Former Employees: Ohio Appellate Court Clarifies Application of the “Inevitable Disclosure” Doctrine* for discussion of the inevitable disclosure doctrine).

Moreover, companies must continue to take affirmative steps to protect their trade secrets and confidential information from disclosure. Otherwise, the heightened protection given to trade secrets will be lost. Implementation of a careful plan – including the use of appropriate policies, procedures, and agreements regarding competitive information and activity – is the most effective method for companies to achieve this result. Indeed, given the Supreme Court of Ohio’s recognition that “trade secrets” will be protected in any form – even if the information is not taken in a tangible form – it is all the more important for employers to ensure that trade secret information does not lose its protection.

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