

Danyelle S.T. Wright¹ on the Supreme Court of Ohio’s Decision that Memorized Information Can Still Be A Trade Secret: Al Minor & Assoc, Inc. v. Martin (2008), 117 Ohio St.3d 58, 2008 Ohio 292.

Confidential client information, including that which is memorized by a former employee, is protected from unlawful disclosure if it constitutes a trade secret. The Supreme Court of Ohio recently affirmed that memorized information can be the basis for a trade secret violation pursuant to Ohio’s Uniform Trade Secrets Act (“UTSA”), *R.C. 1333.61 through 1333.69*, and declared that the determination of whether an employer’s confidential client information constitutes a trade secret does not depend on whether it has been reduced to tangible form by a former employee.²

I. Facts

Al Minor & Associates, Inc. (“AMA”) filed a lawsuit against its former employee, Robert E. Martin (“Martin”), for monetary and injunctive relief, claiming that Martin had violated the UTSA by using AMA’s confidential client information.³ AMA was an actuarial firm that designed and administered retirement plans and employed pension analysts who worked with AMA’s clients.⁴ In 1998, AMA hired Martin as a pension analyst but did not require him to sign either an employment contract or noncompete agreement.⁵ In 2002, while still employed by AMA, Martin started his own company, Martin Consultants, L.L.C., with the sole purpose of competing with AMA.⁶ In 2003, Martin resigned from AMA and, without taking any documents containing client

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² *Al Minor & Assoc, Inc. v. Martin* (2008), 117 Ohio St.3d 58, 2008 Ohio 292, at ¶¶ 2, 19, 24.

³ *Id.* at ¶5.

⁴ *Id.* at ¶3.

⁵ *Id.* at ¶4.

⁶ *Id.*

information, successfully solicited fifteen (15) AMA clients with information from his memory.⁷

AMA filed a lawsuit against Martin for monetary and injunctive relief, claiming that Martin violated the UTSA by using confidential client information to solicit those clients.⁸ The trial court referred the trial to a magistrate, who determined that Martin had misappropriated AMA's client list in violation of the UTSA.⁹ The magistrate specifically concluded that the fact that Martin had solicited AMA's clients from memory did not prevent the finding of a trade secret violation.¹⁰ The magistrate awarded more than twenty-five thousand dollars (\$25,000.00) in fees that AMA would have earned from its former clients, and denied injunctive relief.¹¹ Martin filed objections, but the court overruled them, and entered judgment in favor of AMA.¹²

Thereafter, Martin appealed to the Franklin County Court of Appeals, arguing that a memorized client list does not satisfy the definition of a trade secret.¹³ The court of appeals affirmed the trial court, and Martin filed a discretionary appeal, which the Supreme Court of Ohio agreed to review.¹⁴

II. The Supreme Court Decision

The Ohio Supreme Court, in a unanimous decision, affirmed that "AMA's client list constituted a trade secret," and that "the fact that Martin had memorized that client

⁷ *Id.*

⁸ *Id.* at ¶5.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.* at ¶6.

¹⁴ *Id.*

list before leaving AMA did not change its status as a trade secret or remove it from the protection of the UTSA.”¹⁵ The Court also recognized, however, that the UTSA does not apply to the use of memorized information that is *not* a trade secret, and acknowledged that employees who leave their jobs will inevitably have memories from the ordinary course of employment, but explained that it is the former employee’s use of memorized information, that constitutes a trade secret, which will be protected.¹⁶

In its decision, the Ohio Supreme Court explained that Ohio adopted the definition of “trade secret” from the Uniform Trade Secrets Act (“UTSA”), and that Ohio’s protection of trade secrets arose at common law, where the courts acknowledged that “disclosures of trade secrets by an employee secured by him in the course of confidential employment will be restrained by the process of injunction.”¹⁷ In 1994, the Ohio General Assembly enacted the UTSA and later developed a six-factor test for determining whether information constitutes a trade secret pursuant to R.C. 1333.61(D).¹⁸ The Court stated that for purposes of trade secret protection, the Ohio General Assembly did not intend to distinguish between information that has been reduced to some tangible form and information that has been memorized.¹⁹

The Court found that the distinction between written and memorized information was irrelevant, as are the form of the information and the manner in which it is

¹⁵ *Id.* at ¶27.

¹⁶ *Id.* at ¶25.

¹⁷ *Id.* at ¶10.

¹⁸ *Id.* at ¶16.

¹⁹ *Id.* at ¶17.

obtained.²⁰ Rather, it is the nature of the relationship and the former employee's conduct that are the determinative factors.²¹ In reaching the conclusion that memorized information can be the basis for a trade secret violation, Ohio joins the majority of states that have adopted the Uniform Trade Secrets Act and ruled upon this very issue.²²

III. Practical Implications:

The Ohio Supreme Court's unanimous decision prevents former employees from using their employer's confidential client information, even if memorized, in violation of the UTSA. In order for the employer's confidential information to be protected under the UTSA, it must qualify as a trade secret. Not all confidential information rises to the level of a trade secret, such as the inevitable memories an employee has during the course of his employment.

- Although this decision offers some protection for employers to protect information that is not generally known to those outside the business, employers should continue to protect their trade secrets and confidential information from disclosure by

²⁰ *Id.* at ¶21, *citing* 2 Louis Altman, *Callmann on Unfair Competition, Trademarks and Monopolies* (5th Ed. 2005) 14-192 – 14-195, Section 14.25.

²¹ *Id.* at ¶¶21-22, *citing* *N. Atlantic Instruments, Inc. v. Haber* (C.A.2 1999), 188 F.3d 38, 47, *quoting* 4 Roger M. Milgrim, *Milgrim on Trade Secrets* (1998), Appx. 15A-3 (stating “[t]he majority rule is * * * that appropriation by memory will be restrained under the same circumstances as will appropriation by written list”).

²² *Id.* at ¶19, *citing* *Ed Nowogroski Ins., Inc. v. Rucker* (1999), 137 Wash.2d 427, 971 P.2d 936; *Morlife, Inc. v. Perry* (1997), 56 Cal.App.4th 1514, 66 Cal.Rptr.2d 731; *Allen v. Johar, Inc.* (1992), 308 Ark. 45, 823 S.W.2d 824; *Jet Spray Cooler, Inc. v. Crampton* (1972), 361 Mass. 835, 282 N.E.2d 921; *Van Prods. Co. v. Gen. Welding & Fabricating Co.* (1965), 419 Pa. 248, 213 A.2d 769; *M.N. Dannenbaum, Inc. v. Brummerhop* (Tex.App.1992), 840 S.W.2d 624; *Schulenburg v. Signatrol, Inc.* (1965), 33 Ill. 2d 379, 212 N.E.2d 865; *Morgan's Home Equip. Corp. v. Martucci* (1957), 390 Pa. 618, 136 A.2d 838; *Cent. Plastics Co. v. Goodson* (1975), 1975 Okla. 71, 537 P.2d 330; *Rego Displays, Inc. v. Fournier* (1977), 119 R.I. 469, 379 A.2d 1098.

using confidentiality agreements, employment and noncompete agreements, and to the extent possible, by copyrighting or patenting their trade secrets and intellectual property.

- Employers should be mindful, however, that information which is publicly available, or which can be easily duplicated from public records, ie. customers lists which can be gleaned from telephone books, will not likely be protected as trade secrets.

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