[Cite as *Arnos v. MedCorp, Inc.*, 2010-Ohio-1883.]

IN THE COURT OF APPEALS OF OHIO
SIXTH APPELLATE DISTRICT
LUCAS COUNTY

John Arnos

Appellee

v.

MedCorp, Inc., et al.

Defendants

[Watson & Associates, Inc.

Appellant]

Court of Appeals No. L-09-1248

Trial Court No. CI0200806063

DECISION AND JUDGMENT

Decided: April 30, 2010

* * * * *

Margaret G. Beck, for appellee.

Steven B. Winters, for appellant.

* * * * *

PIETRYKOWSKI, J.

{¶ 1} This is an accelerated appeal in a dispute over production of records, where appellant claims records, sought by subpoena, are protected against discovery as trade secrets. The appellant is Watson & Associates, Inc. ("Watson"), an accounting firm. The

parties to the case are John Arnos, appellee/plaintiff, and defendants MedCorp, Inc. ("MedCorp.") and Richard Bage.

{¶ 2} Arnos filed suit against MedCorp. and Bage in the Lucas County Court of Common Pleas claiming breach of a contract for Arnos to apply for sales tax refunds from the State of Ohio Department of Taxation on behalf of MedCorp. Arnos claims that MedCorp. and Bage prevented him from applying for sales tax refunds pursuant to the contract and instead hired Watson to perform the work.

{¶ 3} During discovery, counsel for Arnos issued a subpoena requiring Watson to produce records related to Watson's representation of MedCorp. The subpoena was served on May 21, 2009, and directed Watson to produce for inspection and copying the following records:

{¶ 4} "1. All Applications for Sales/Use Tax Refund filed on behalf of Medcorp, Inc. or Randel T. Simon;

{¶ 5} "2. All supporting documentation for Sales/Use Tax Refund filed on behalf of Medcorp, Inc. or Randel T. Simon, including communications, spreadsheets, reports, and documentation;

{¶ 6} "3. All communications between Watson & Associates, Inc. and Medcorp/Richard Bage/Randel T. Simon regarding Sales/Use Tax Refunds for ambulance or ambulette;

{¶ 7} "4. All invoices sent to Medcorp, Inc. by Watson & Associates, Inc. for preparation of Applications for Sales/Use Tax Refund or preparation of supporting documentation;

{¶ 8} "5. All documentation received from Medcorp, Inc. related in any way to the Applications for Sales/Use Tax Refunds or supporting documentation;

{¶ 9} "6. Documentation of all payments received from Medcorp, Inc. for services rendered by Watson & Associates, Inc. and related to the preparation of Applications for Sales/Use Tax Refund filed on behalf of Medcorp, Inc. or the supporting documentation."

{¶ 10} Watson produced no records. Instead, it served Arnos with written objections to the subpoena, pursuant to Civ.R. 45(C)(2)(b). In the objections, Watson claimed Arnos was a competitor and that the records requested constituted trade secrets as defined by R.C. 1333.61(D). Watson asserted the documents were privileged from discovery and refused to produce any records without a court order.

{¶ 11} On June 10, 2009, Arnos filed a motion to compel compliance with the subpoena. On June 29, 2009, Watson filed a memorandum in opposition and asserted that the requested documents were protected from discovery as trade secrets. On July 13, 2009, Arnos filed his reply brief in support of the motion to compel. On September 11,

2009, the trial court sustained the motion to compel and ordered Watson to comply with the subpoena within 14 days. This appeal followed.[1]

{¶ 12} Watson asserts one assignment of error on appeal:

{¶ 13} "Assignment of Error No. 1:

{¶ 14} "The trial court abused its discretion when it granted Arnos' motion to compel response to subpoena without hearing and without an in camera review of the disputed information."

{¶ 15} The only evidentiary material submitted by Watson in opposition to the motion to compel was the affidavit of Justin Mohler, a member of the Watson accounting firm. The affidavit was filed with Watson's opposition brief.

{¶ 16} Although the motion to compel was pending for months, Watson did not request an evidentiary hearing or indicate a desire to submit additional evidence for court consideration on the motion. Watson made no request for any in camera inspection of any of the subpoenaed material. It did not seek to file, under a confidentiality order and under seal, any evidentiary material of a confidential nature for court consideration on the motion to compel.

{¶ 17} The Mohler affidavit was conclusory in form. Mohler stated, without any factual detail, that Watson had developed a process by which it was able to obtain success

[1]A blanket order compelling production of records claimed to be trade secrets is a final appealable order. *Gibson-Myers & Assocs. v. Pearce* (Oct. 27, 1999), 9th Dist. No. 19358, cited with approval in *State v. Muncie* (2001), 91 Ohio St.3d 440, 451.

in securing Ohio sales/use tax refunds for clients. Mohler stated that his firm included a confidentiality clause in their client contract to assure confidentiality of the process.

{¶ 18} Mohler also stated that under the application process some information filed with the state is subject to public disclosure as part of the public record, but source documents are not. In Mohler's opinion, a person reasonably versed in sales tax issues may be able to discover Watson's confidential process from review of the subpoenaed documents. No records or evidentiary material were filed with the Mohler affidavit to support its contentions or conclusions.

{¶ 19} Arnos contends that pursuing tax refunds through the Ohio tax system cannot be a trade secret. Arnos argues that Watson "may have a niche market he is trying to protect, but it does not rise to the level of a trade secret." He asserts that the entire tax refund process is governed by Ohio law and disclosed through a reading of pertinent statutes. Arnos also disputed he was a competitor of Watson.

{¶ 20} In a discovery dispute, those asserting that the materials sought constitute trade secrets that are privileged from discovery bear the burden of establishing trade secret status. *Mulkerin v. Cho*, 9th Dist. No. 07CA007-M, 2007-Ohio-6550, ¶ 6; *GZK, Inc. v. Schumaker Ltd. Partnership*, 168 Ohio App.3d 106, 2006-Ohio-3744, ¶ 34; *Svovoda v. Clear Channel Communications, Inc.*, 6th Dist. No. L-02-1149, 2003-Ohio-6201, ¶ 17; See *State ex rel. Plain Dealer v. Ohio Dept. of Ins.* (1997), 80 Ohio St.3d 513, 525. Whether a particular process is a trade secret is a question of fact. *Fred Siegel Co., L.P.A. v. Arter & Hadden* (1999), 85 Ohio St.3d 171, 181.

{¶ 21} The statutory definition of "trade secret" is set forth in R.C. 1333.61(D):

{¶ 22} "(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:

{¶ 23} "(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.

{¶ 24} "(2) It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

{¶ 25} The Ohio Supreme Court has identified factors to be considered in determining whether particular knowledge or process is a trade secret under the statute:

{¶ 26} "(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. *Pyromatics, Inc. v. Petruziello* (1983), 7 Ohio App.3d 131, 134-135, 7 OBR 165, 169, 454 N.E.2d 588, 592; see *Water Mgt., Inc.*

v. Stayanchi (1984), 15 Ohio St.3d 83, 86, 15 OBR 186, 188, 472 N.E.2d 715, 718. A business or possessor of a potential trade secret must take some active steps to maintain its secrecy in order to enjoy presumptive trade secret status. *Water Management* at 85-86, 15 OBR at 187-188, 472 N.E.2d at 718. 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. See *Amoco Prod. Co. v. Laird* (Ind.1993), 622 N.E.2d 912.

{¶ 27} "We adopt the foregoing factors in determining whether a trade secret claim meets the statutory definition as codified in R.C. 1333.61(D) * * *." *State ex rel. Plain Dealer*, 80 Ohio St.3d at 524-525.

{¶ 28} Conclusory statements as to trade secret factors without supporting factual evidence are insufficient to meet the burden of establishing trade secret status. *State ex rel. Besser v. Ohio State Univ.* (2000), 89 Ohio St.3d 396, 404; *Svoboda* at ¶ 17. In our view, the Mohler affidavit failed to factually demonstrate trade secret status of the Watson process in a manner required under *Besser*.

{¶ 29} It was Watson's burden to establish trade secret status for its process in response to the motion to compel. We find no abuse of discretion in the trial court's failing to sua sponte order Watson to produce documents to prove its trade secret claim. As Watson did not seek to submit the alleged confidential records for trial court review, we find no abuse of discretion in the trial court's failure to undertake an in camera review of those documents.

{¶ 30} Appellant filed no motion in the trial court requesting an evidentiary hearing on the motion to compel, and never indicated a desire to submit additional evidence on the motion. There was ample opportunity for appellant to make such a request as the motion to compel was pending for months. We find no abuse of the discretion by the trial court in failing to conduct a sua sponte evidentiary hearing on the motion to compel.

{¶ 31} Assignment of Error No. 1 is not well-taken.

{¶ 32} Upon consideration, we find that substantial justice was done to the parties complaining. The judgment of the Lucas County Court of Common Pleas is affirmed. Appellant is ordered to pay the costs pursuant to App.R. 24.

JUDGMENT AFFIRMED.

A certified copy of this entry shall constitute the mandate pursuant to App.R. 27. See, also, 6th Dist.Loc.App.R. 4.

Peter M. Handwork, J. _____
JUDGE

Mark L. Pietrykowski, J. _____
JUDGE

Thomas J. Osowik, P.J. _____
CONCUR.
JUDGE