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,
v.	:	Tenth Appellate District
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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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

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 _____
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.)

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