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# THE PROPERTY WARS OF LAW FIRMS: OF CLIENT LISTS, TRADE SECRETS AND THE FIDUCIARY DUTIES OF LAW PARTNERS

ROBERT W. HILLMAN*



The dramatic rise in litigation among former law partners is a well-documented feature of the legal profession's landscape. An impressive body of law underlying lawyer mobility has developed in the relatively short period during which law partner litigation has become commonplace.[1] With each reported decision, the litigation has yielded substantive legal standards regulating the relationships of partners associated in a law practice.[2]

An important theme emerging from the lawyer mobility litigation is the primacy of the interests of clients in resolving disputes among former law partners. No other consumer class can match clients of law firms in terms of protections accorded by law. Already intense competition for clients has been bolstered by rigorous enforcement of bans on anticompetitive practices by law firms. The law firm cannot secure its investment in a client through a long-term contract bind-

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1. *See generally* ROBERT W. HILLMAN, HILLMAN ON LAWYER MOBILITY (2d ed. Supp. 1998).

2. *See*, *e.g.*, Robinson v. Nussbaum, 11 F. Supp. 2d 1 (D.D.C. 1997) (sharing of fees); Cadwalader, Wickersham & Taft v. Beasley, 728 So. 2d 253 (Fla. 4th DCA 1998) (expulsion); Phil Watson, P.C. v. Vacey & Peterson, L.L.P., 650 N.W.2d 562 (Iowa 2002) (client solicitations); Graubard, Mollen, Dannett & Horowitz v. Moskovitz, 653 N.E.2d 1179 (N.Y. 1995) (client solicitations); Cohen v. Lord, Day & Lord, 50 N.E.2d 410 (N.Y. 1989) (contractual restraint on competition); Adler, Barish, Daniels, Levin & Creskoff v. Epstein, 393 A.2d 1175 (Pa. 1978) (interference with contracts).

ing the client to the firm.[3] The law firm cannot impose economic penalties on those who leave the firm and take its clients.[4] And more to the point, the law firm cannot enforce against departing members contracts that in any way limit those members in competing for the firm's clients.[5] Litigation has not been kind to law firms seeking to protect their client base.

One of the casualties of this short but intense period of litigation among former law partners is the traditional notion that a law firm enjoys a proprietary interest in its clients. A little more than twenty years ago the Pennsylvania Supreme Court chastised lawyers who took cases from a firm by noting that "[n]o case on the list, however, was [theirs]. Rather, each case was [a firm] case on which . . . [they] were working."[6] Indeed, a lower court judge in the same case put it even more succinctly: "If they want their own firm, *let them get their own clients*."[7] The Pennsylvania cases speak the language of the past. If the subsequent explosion of lawyer mobility litigation has demonstrated anything it is that neither law firms nor attorneys within the firms may claim clients as their own. In short, neither firm nor lawyer has a proprietary interest in clients.

Although the view of clients as property of the firm is no longer part of the lawyer mobility landscape, there exists a variation of the property approach that may have some vitality. Law firms, like other professional service organizations, develop knowledge relating to their practices. For want of a better term, this may be referred to as the intellectual property of law firms,[8] a term that may include, for example, client lists, billing data, form files, compensation practices,

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3. *See, e.g.*, *In re* Cooperman, 633 N.E.2d 1069, 1072-73 (N.Y. 1994) (voiding a nonrefundable retainer agreement because it "inappropriately compromises the right to sever the fiduciary services relationship with the lawyer").

4. *See, e.g.*, Jacob v. Norris, McLaughlin & Marcus, 607 A.2d 142, 148 (N.J. 1992) (voiding partnership agreement varying payouts depending upon whether departing partners took clients and employees from the firm).

5. *See generally* HILLMAN, *supra* note 1, § 2.3.3.

6. *Epstein*, 393 A.2d at 1177.

7. Adler, Barish, Daniels, Levin & Creskoff v. Epstein, 382 A.2d 1226, 1233 (Pa. Super. Ct. 1977) (Spaeth, J., concurring) (emphasis added), *rev'd*, 393 A.2d 1175 (Pa. 1978).

8. It seems to be standard practice in commentary on "intellectual property" not to define the meaning of the term. *See, e.g.*, PETER A. ALCES & HAROLD F. SEE, THE COMMERCIAL LAW OF INTELLECTUAL PROPERTY (1994); MICHAEL A. EPSTEIN, EPSTEIN ON INTELLECTUAL PROPERTY (4th ed. 1999). As the term is here used, law firm intellectual property simply means nonpublic information (i.e., information not generally known or readily ascertainable) that has value to the firm. The issue of whether the particulars of the firm's rights in such information are protected by law, however, is another issue. *Cf.* DONALD A. GREGORY ET AL., INTRODUCTION TO INTELLECTUAL PROPERTY LAW 1 (1994) ("Intellectual property is an intangible that is not easily described. The law creates the property by defining what will be protected from others. Intellectual property is created and protected based upon policy considerations as to what types of intellectual activities should be encouraged.").

and personnel information.[9]

The status of a law firm's information and the right to control its use are issues of great practical importance. In an environment in which "portable" business drives lawyer mobility,[10] a firm entertaining the possibility of hiring a lateral partner likely will want to know something about the partner's clients, billings and income as well as the resources that will be required in order to support the lawyer's practice. Information needs grow and become more complex when the partner proposes to move an entire team (partners, associates, paralegals, etc.) from one firm to another. Whether one more person or many are involved in the move, there remains the larger issue of whether *information* acquired while at one firm may be used after affiliation with a new firm.

There exist a variety of legal doctrines relevant to a lawyer's use of information acquired while a member of a law firm. The fiduciary duties of partners and, in the case of associates, employees may bear on the activities of withdrawing lawyers before and after they leave their firms. The difficulty with fiduciary standards, however, lies in the indeterminacy of their application.[11] In *Gibbs v. Breed, Abbott & Morgan*, for example, a New York appellate court took a harsh view of law partners who shared with another firm.[12] They were contemplating joining information on associate salaries and billing.[13] Signaling the difficulty of issues pertaining to the use of firm information, however, *Gibbs* included a forceful dissent that found nothing at all inappropriate about sharing such data with another firm.[14] Fiduciary duties are more likely to be indeterminate when used to define rights in information than they have been in when used to order other aspects of the relations among law partners.

Although fiduciary duties are the logical starting point for evaluating the conduct of partners who utilize for private benefit informa-

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9. Normally, rights in intellectual property are transferable. Insofar as information relates to client matters, however, law firms operate under restrictions that have effectively eliminated the option of *selling* the property. More recently, a number of states have amended their ethics rules to allow, under defined circumstances, the sale of the goodwill associated with a law practice. The easing of restrictions follows the 1990 amendment of the Model Rules of Professional Conduct to allow lawyers to buy and sell law practices when certain conditions are satisfied. *See* MODEL RULES OF PROF'L CONDUCT R. 1.17 (2001); *see* HILLMAN, *supra* note 1, § 2.5.3.

10. *See* HILLMAN, *supra* note 1, § 1.1.

11. The indeterminacy problem and a suggested role for fiduciary norms are explored in Robert W. Hillman, *Business Partners as Fiduciaries: Reflections on the Limits of Doctrine*, 22 CARDOZO L. REV. 51 (2000).

12. 710 N.Y.S.2d 578 (N.Y. App. Div. 2000).

13. The information included salaries, annual billable hours, and billing rates. *Id.* at 580. The partners planned to recruit the associates to their new firm. *Id.*

14. *Id.* at 590 (Saxe, J., concurring in part and dissenting in part) (disagreeing with the majority as to the confidentiality of the information disclosed and calling the information "the greatest unkept secret in the legal profession").

tion they acquire while at a firm, firms seeking redress may be expected to employ the distinct but compatible body of law governing trade secrets. They will receive considerable support for this effort from the decision of the Ohio Supreme Court in *Fred Siegel Co. v. Arter & Hadden*, the first state high court opinion to conclude that a law firm's client list may be a trade secret.[15] Perhaps the most surprising aspect of *Siegel* is that the trade secret analysis has come so late to the world of lawyer mobility litigation. Now that it has arrived, we may expand allegations of trade secret misappropriation so that it will become a routine part of litigation among former law partners.

Whether viewed through the lens of fiduciary norms or trade secret protections, one of the more important and unresolved issues raised by lawyer mobility trends is the extent to which a law firm has a recognizable interest in the information pertaining to clients that it possesses. If such an interest exists and is protected by law, the information may properly be regarded as the intellectual property of law firms. In settings outside of the legal profession, disputes over information rights typically are limited to two claimants—the original possessor of information and the party who presently desires to use the information. In the law firm setting, however, a third party—the client—is introduced, and in most respects the interests of this party are superior to those of either the firm or its departing partner.

This Article explores the nature of information about clients generally and client lists specifically as the intellectual property of law firms. It examines whether client information is protectible as a trade secret and the extent to which fiduciary norms preclude use of such information by withdrawing partners.

## I. TRADE SECRETS

### A. *In General*

Trade secret law recognizes and protects some types of valuable business information.[16] As one court put it, "[t]he trade secret is a type of intellectual property, in effect, a property right in discovered knowledge."[17] In core concepts, this is ancient law, traceable at least to Roman times.[18] In its Anglo-American development, trade secret law is closely connected with norms of commercial morality. Indeed,

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15. 707 N.E.2d 853 (Ohio 1999).

16. *See, e.g.*, Kozuch v. CRA-MAR Video Ctr., Inc., 478 N.E.2d 110, 114 (Ind. Ct. App. 1985) (describing trade secrets as "valuable assets to any business").

17. Microbiological Research Corp. v. Muna, 625 P.2d 690, 696 (Utah 1981).

18. A. Arthur Schiller, *Trade Secrets and the Roman Law; The Actio Servi Corrupti*, 30 COLUM. L. REV. 837 (1930) (discussing an action available in response to a third party enticing a slave-employee to divulge business secrets).

one commentator stated it well:

> Imagine for a moment a commercial society that has never heard the term "fiduciary obligation," and where no one owes duty of fair play to anyone else. . . . A moment's reflection about such an abominable business climate leads to the recognition of practical reasons for the development of the law of trade secrets.[19]

Reflecting the substantial common law jurisprudence on trade secrets, the *Restatement (First) of Torts*, promulgated in 1939, stated that an individual "who *discloses or uses* another's trade secret, without a privilege to do so, is liable to the other if . . . his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him."[20] The common law underpinnings of trade secret law are now reflected in statutes that have been adopted in most states. For the most part, the statutes implement the *Uniform Trade Secrets Act* (UTSA), which defines a trade secret as follows:

> [I]nformation, including a formula, pattern, compilation, program, device, method, technique, or process, that:
> (i) 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, and
> (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.[21]

Information is not a trade secret simply because the person or firm in possession of the information regards it as confidential.[22] Factors relevant to according information the status of a trade secret include:

> the extent to which the information is known outside the business and by employees and others involved in the business, the measures taken by the employer to guard the secrecy of the information, the information's value to the employer and to competitors, the resources the employer expends in developing the information,

19. MELVIN F. JAGER, TRADE SECRETS LAW § 1.03 (2000). Mr. Jager also notes, however, that a useful definition of trade secrets "is not readily discernable from the cases." *Id.* § 2.01.

20. RESTATEMENT (FIRST) OF TORTS § 757 (1939) (emphasis added). The section also states that liability exists if the trade secret is discovered by improper means. *Id.* A more current restatement of trade secret protections is offered in the RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 39-45 (1995).

21. UNIF. TRADE SECRETS ACT § 1(4) (1985).

22. *See generally* Robert Unikel, *Bridging the "Trade Secret" Gap: Protecting "Confidential Information" Not Rising to the Level of Trade Secrets*, 29 LOY. U. CHI. L.J. 841 (1998).

> and the ease or difficulty with which the information could be properly acquired or duplicated by others.[23]

Also relevant to this equation is a balancing of the "conflicting rights of an employer to enjoy the use of secret processes and devices which were developed through his own initiative and investment and the right of employees to earn a livelihood by utilizing their skill, knowledge and experience."[24] To some extent, the product of this balancing may be seen in authority that would disable the employer from barring use of the information if the employee is able to derive the information through independent invention or "reverse engineering" (i.e., starting with the trade secret and working backward to find the method by which it was developed).[25]

### *B. Customer Lists as Trade Secrets*

Information concerning the consumers of a firm's products or services may be valuable business information. In some cases, the information may have value to the firm, or a competitor, even if it offers little more than the names and contact information of individuals with whom the firm has had a business or professional relationship.

Although only a small number of states that have adopted the UTSA expressly apply the act to a list of actual or potential customers[26] or the equivalent, many jurisdictions have, through case law, applied trade secret precepts to protect customer lists.[27] Moreover, as the *Restatement (Third) of Unfair Competition* states, "[t]he general rules that govern trade secrets are applicable to the protection of information relating to the identity and requirements of customers."[28] Of course, not all customer lists are trade secrets. Customer lists derived from readily-identifiable sources may not be protected, although specific information concerning customers (such as contact persons or special needs) may qualify as a trade secret even when the list does not.[29] Moreover, firms may have a particularly difficult time in preventing the use of client information by individuals having

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23. Robert S. Weiss & Assocs., Inc. v. Wiederlight, 546 A.2d 216, 224 (1988).
24. Kenawee Oil Co. v. Bicron Corp., 416 U.S. 470, 476 (1974).
25. *Id.* at 476.
26. *See*, *e.g.*, GA. CODE ANN. § 10-1-761(4) (Harrison 1994).
27. *See*, *e.g.*, Am. Credit Indem. Co. v. Sacks, 262 Cal. Rptr. 92 (Cal. Ct. App. 1989) (giving trade secret protection to credit insurance underwriter's customer list); Stampede Tool Warehouse, Inc. v. May, 651 N.E.2d 209 (Ill. App. Ct. 1995) (giving trade secret protection to an automotive tools and equipment distributor's customer list).
28. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 cmt. f (1995).
29. GREGORY ET AL., *supra* note 8, at 206.

close relationships with the clients.[30]

In part because trade secret status may be defeated by nondefinitional factors such as the failure to take steps to maintain the secrecy of information,[31] the line between those customer lists that are trade secrets and those that are not is blurred.

### *C. Law Firm Client Lists as Trade Secrets*

#### *1. Law Practice and Information "Used in One's Business"*

By defining a trade secret as "any formula, pattern, device, or compilation of information which is used in one's business,"[32] the *Restatement of Torts* seemed to exclude protection for information that has value but is not actually used in a business.[33] For years, debate has ensued over whether the practice of law is a business or a profession, and depending on where one stands in this debate the *Restatement*, read literally, may negate the status of information in the possession of law firms as trade secrets. For two reasons, however, the distinction between a business and profession should have little effect on the trade secret analysis. First, the view that law practice to a significant extent is a business (albeit with the underpinnings of a profession) has gained the upper hand in recent years.[34] Second, and more to the point, the UTSA drops the "use in business" portion of the definition of a trade secret, leading to the perhaps unintended effect that protection under the statutes may extend to information used in non-business ways.[35]

#### *2. The "Independent Economic Value" of Client Information*

To qualify as a trade secret under the UTSA, information must derive "independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper

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30. *See* Moss, Adams & Co. v. Shilling, 179 Cal. App. 3d 124, 129 (Cal. Ct. App. 1986) (holding that names of clients employees had worked for prior to their withdrawal from accounting firm were not trade secrets).

31. *See infra* text accompanying notes 76-81.

32. RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939).

33. *But cf.* RESTATEMENT OF UNFAIR COMPETITION § 39 (1995) (defining a trade secret as "information that can be used in the operation of a business or other enterprise").

34. Consider, for example, the widely followed *American Lawyer* rankings of firms on the basis of profitability per partner. *America's Highest-Grossing Law Firms in 2001*, 24 AM. LAW. 203 (July 2002).

35. *See, e.g.*, ALCES & SEE, *supra* note 8, at 83-84.

> [O]ne may have a secret method for applying paints to model airplanes and use that purely for hobby purposes. There are many other hobbyists who might wish to have such information if it were available and, therefore, this method would derive significant economic value from not being generally known. Under the Uniform Act, such information would appear to qualify as a trade secret; under the Restatement it would not.

*Id.*

means by, other persons who can obtain economic value from its disclosure or use."[36]

Normally, the identity of law firm clients is readily apparent and often even is a matter of public record. For this reason, information concerning the identity of a specific client normally is easily ascertainable with a minimum of effort and should not qualify for trade secret protection. As is the case with the customer list of a commercial enterprise, the real value of client information lies in the *list*. The longer and more complex the list becomes, the greater is the difficulty of independently creating the information. The very difficulty in the recreation is one element of the value of the client list.

Difficulty of replication is not the sole determinant of the value of the information contained in a client list. The relationship that exists or existed between a firm and its clients distinguishes the firm from countless other firms which may wish to compete for the attentions of the clients and provide noisy communications to this effect. The relationship is of value not only to the firm but also to any of its members whom clients may identify as forming part of that relationship. The goodwill associated with the relationship may be used to good advantage by a lawyer within the firm who wishes to solicit the client. Indeed, in some cases, the client may have greater allegiance to the soliciting lawyer than to the firm.[37] Even when the relationship between soliciting lawyer and client is more attenuated, however, a departing lawyer or former member of the firm may use successfully the relationship between the firm and the client as the basis for the lawyer's solicitation attempts. For this purpose, a client list may be of real assistance to the soliciting lawyer.

The potential value of the client list is greatest when the number of clients is large and, therefore, the information reflected on the list is extensive. Consider, for example, the strategic use of a client list in an early and infamous lawyer mobility case. In the case cited earlier in this Article as a paradigm of the now-defunct clients as assets of the firm view, lawyers in the firm notified approximately four hundred of the firm's clients that they were forming a new firm and that the clients were free to retain counsel of their choice.[38] The contacts were by phone as well as letter. Although the associates had worked on the client matters, the use of a client list undoubtedly facilitated the communications. The case illustrates the value of client lists in practices involving large numbers or relatively unsophisticated clients.

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36. UNIF. TRADE SECRETS ACT § 1(4)(i) (1985).

37. *See infra* text accompanying notes 45-46.

38. *See* Adler, Barish, Daniels, Levin & Creskoff v. Epstein, 382 A.2d 1226, 1228 (Pa. Super. Ct. 1977), *rev'd*, 393 A.2d 1175 (Pa. 1978).

For practices of this type, client lists may seem to possess the requisite "independent economic value" to justify protection as trade secrets. This assumes, however, that a law firm is no different from other commercial enterprises in its entitlement to trade secret protection for client information. Although there is growing acceptance that law partnerships are profit-seeking firms, they do operate under unique ethics standards designed to protect the consumers of their services. As is discussed below, these standards may limit significantly trade secret protections that may otherwise be available.

## II. THE LEGAL ETHICS PERSPECTIVE

Norms of legal ethics have shaped the ground rules that regulate the relationships of lawyers associated in law firms. In particular, the principle of client choice, which allows clients to freely discharge lawyers or firms, undermines the expectations of firms regarding continued client patronage and loosens the bonds that tie lawyers associated in law practices.[39] Interestingly, law is unique among the professions in the degree to which the will of clients is a paramount value in shaping ethics norms,[40] although it should be emphasized that the policy reason supporting such a privileged status for consumers of legal services has not yet been articulated.[41]

Client choice operates to void traditional contractual means of tying clients to firms. The classic contractual device for restraining future competition is the restrictive covenant that prohibits an individual from post-withdrawal competition with a firm. The restrictive covenant, however, is not an option for law partners desiring to restrain future competition. Courts invariably decline to enforce provisions of partnership agreements that restrict the ability of lawyers to compete with the firms from which they have withdrawn.[42] Even cli-

39. *See*, *e.g.*, CHARLES W. WOLFRAM, MODERN LEGAL ETHICS § 9.5.2, at 545 (1986) ("It is now uniformly recognized that the client-lawyer contract is terminable at will by the client. For good reasons, poor reasons, or the worst of reasons, a client may fire the lawyer.").

40. *See*, *e.g.*, Riordan v. Barbosa, No. 395945, 1999 Conn. Super. LEXIS 446, at *21 (Conn. Super. Ct. Mar. 1, 1999) (enforcing a restrictive covenant against an accountant and noting that "[t]here is no per se distinction between so-called professional people and other members of the work force with respect to the reasonableness of a noncompetition covenant"). *See* HILLMAN *supra* note 1, § 2.3.3 (discussing the legal, accounting, and medical professions).

41. Inexplicably, professional responsibility standards seemingly provide greater protections for clients than provided throughout the counterpart ethics standards of the other professions. A recent indication of the disparity may be seen in restrictions placed on the ability of lawyers to take advantage of new firm structures offering limitations of liability. For a discussion of this point, see Robert W. Hillman, *Entity Rationalization and Professional Service Firms*, 58 BUS. LAW. (forthcoming August 2003).

42. Both the *Model Code of Professional Responsibility* and the *Model Rules of Professional Conduct* void restrictive covenants by prohibiting a lawyer from agreeing to restrict the lawyer's practice after termination of the relationship created by the agreement. MODEL RULES OF PROF'L CONDUCT R. 5.6 (1983); MODEL CODE OF PROF'L RESPONSIBILITY

ents who have had retained firms to prosecute litigation on a contingent fee basis may change firms mid-stream and compensate the discharged firms on limited, *quantum meruit* basis, thus denying the firms the benefits of the bargains they earlier struck with their clients.[43] The ease with which clients may change law firms not only sets the stage for intense competition for clients but also undermines any treatment of clients as *assets* of the firms they presently retain.

Given the environment of intense competition for clients, information concerning the specific clients of a particular firm may be useful to those who plan to compete with the firm through a future solicitation of its clients. The greatest risk to the firm arises when those who are planning for future competition are presently members of the firm and have relatively easy access to the client information. Viewed solely from the commercial perspective, the information may be protectible as a firm trade secret.[44] Introducing the principle of client choice to the analysis, however, renders problematic trade secret protection for the client list. When broad prohibitions against use of client information operate to restrict choices available to clients, the firm's interest in maintaining its competitive position is likely to be subordinated to the clients' interest in retaining the law firms of their choice. Stated another way, the right to control use of information about law firm clients vests at least as strongly in the clients as it does in the law firms.

There exists a further, deeper-rooted difficulty with extending trade secret protection to information concerning a law firm's clients. A recurring question in professional responsibility is whether client relationships run to firms or to their lawyers. The canons of ethics emphasize lawyer-client relationships, while courts commonly assume the relevant relationships are between clients and their firms.[45] From the clients' perspective, the question may be more nuanced than either the canons or the courts recognize. Clients sometimes view their relationships as with firms, and at other times with lawyers within the firms. Sophisticated clients seem especially inclined

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DR 2-108A (1980). A number of cases have voided contractual disincentives to compensation that fall short of outright restrictive covenants. *See*, *e.g.*, Cohen v. Lord, Day & Lord, 550 N.E.2d 410 (N.Y. 1989). *See generally* HILLMAN, *supra* note 1, § 2.3.

43. *See*, *e.g.*, HILLMAN, *supra* note 1, § 2.3.1; WOLFRAM, *supra* note 39, § 9.5.2 (1986); *see also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 40(1) (2000) (stating compensation for a discharged lawyer is limited to the lesser of the fair value of services or the ratable portion of compensation provided by contract, however a court may award contractually-based compensation if the discharge was not for misconduct, the lawyer has performed severable services, and the award of compensation under the contract would not burden the client's choice of counsel).

44. *See supra* text accompanying notes 26-31.

45. *See* ABA CANONS OF PROF'L ETHICS Canon 44 (1931).

to "hire the lawyer rather than the firm."[46] The firm's expectation that information concerning a client is confidential and will not be used to the firm's disadvantage is undermined when the client views the primary relationship as running to the lawyer rather than the firm. The weakening of that expectation calls into question the correctness of protecting client lists as law firm trade secrets.

## III. THE LAW FIRM CASES

Only sparse case law exists concerning the status of client information as a trade secret. The most important of the reported opinions are the 1999 decision of the Ohio Supreme Court in *Fred Siegel Co. v. Arter & Hadden*, which expressly stated that a law firm's client list may be a trade secret,[47] and *Early, Ludwick & Sweeny, LLC v. Steele*, a Connecticut lower court decision that carefully distinguished law firms from commercial enterprises in rejecting claims that a client list was entitled to protection as a law firm's trade secret.[48]

### *A.* Fred Siegel Co. v. Arter & Hadden

In *Siegel*, an associate leaving the firm took with her a sixty-three page list that included the names, addresses, and phone numbers of hundreds of clients.[49] She later used the list to solicit the clients.[50] Applying the Ohio statute, the court concluded that the list could be a trade secret and that issues of material fact made the lower court's award of summary judgment for the defendants on this point in error:

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46. In a *Corporate Legal Times* Roundtable, for example, one corporate counsel commented, "[T]he old adage that you don't hire the firm, you hire the lawyer is so true. And I want the lawyer who's working on my matters day-in and day-out to have that service mentality. It's just so important to making sure that our needs are met." *Successfully Moving Up: Hiring in Times of Change: Tips for the Restless*, CORP. LEGAL TIMES, May 1996, at 44. The point that clients hire lawyers rather than firms is developed more fully in Robert W. Hillman, *Loyalty in the Firm: A Statement of General Principles on the Duties of Partners Withdrawing from Law Firms*, 55 WASH. & LEE L. REV. 997, 1011 n.54 (1998).

Generally, the formalities associated with the relationship support the client-law firm view of the relationship. For example, the law firm's name appears on pleadings, costs are advanced by the firm, and billing is in the name of the firm. Even under these circumstances, however, clients may initially or over time consider their relationships as extending more to specific lawyers than to their firms. *See*, *e.g.*, Susan Saab Fortney, *Are Law Firm Partners Islands Unto Themselves? An Empirical Study of Law Firm Peer Review and Culture*, 10 GEO. J. LEGAL ETHICS 271, 308 (1997) (citing a survey of Texas lawyers in which fifty-four percent of the respondents "believe that clients hire individual attorneys and not law firms").

47. 707 N.E.2d 853, 864 (Ohio 1999).

48. No. CV980409063S, 1998 WL 516156, at *4-*5 (Conn. Super. Ct. Apr. 7, 1998).

49. 707 N.E.2d 853.

50. *See id.* at 861.

> [L]istings of names, addresses, or telephone numbers that have not been published or disseminated, or otherwise become a matter of general public knowledge, constitute trade secrets if the owner of the list has taken reasonable precautions to protect the secrecy of the listing to prevent it from being made available to persons other than those selected by the owner to have access to it in furtherance of the owner's purpose.[51]

The court found that issues of material fact existed concerning whether the firm took reasonable steps to protect its interest in the list.[52] On this point, the record showed that access to the list on a computer required use of a password and that "[h]ard copies of the list were stored within office filing cabinets, which were *sometimes* locked."[53] The firm's senior partner testified that he *probably* had told employees the information was confidential.[54] The defendants, on the other hand, argued the information was a matter of public record and was capable of being independently created.[55]

To assist the trial court in determining whether the client list is a trade secret, the court offered the following guidance:

> Where information is alleged to be a trade secret, a factfinder may consider, *e.g.*, the amount of effort or money expended in obtaining and developing the information, as well as the amount of time and expense it would take others to acquire and duplicate the information. . . . The extensive accumulation of property owner names, contacts, addresses, and phone numbers contained in the Siegel client list may well be shown at trial to represent the investment of Siegel time and effort over a long period.
>
> The purpose of Ohio's trade secret law is to maintain commercial ethics, encourage invention, and protect an employer's investments and proprietary information. That purpose would be frustrated were we to except from trade secret status any knowledge or process based simply on the fact that the information at issue was capable of being independently replicated.[56]

Assuming a firm follows the hints offered in *Siegel* (i.e., it locks the file cabinet, changes the password frequently, and stamps the document *confidential*), it has an arguable claim that a lengthy client list is a trade secret of the firm. Whether this result is desirable, and how far the logic of trade secret thinking extends, are distinct and important questions.

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51. *Id.* at 862.
52. *Id.*
53. *Id.* (emphasis added).
54. *Id.*
55. *Id.*
56. *Id.* at 862-63 (citations omitted).

As to the desirability of the result, what is missing from the majority's opinion is any consideration of the interests of clients.[57] In this regard, the purpose for which the information is used should be considered in assessing the nature of the firm's rights in the information. For example, a withdrawing lawyer's use of otherwise protected information for the purpose of informing clients the lawyer has represented of the lawyer's change in firm affiliation may be appropriate in light of the fundamental right of clients to choose their lawyers. Although the associate in *Siegel* took a list containing information on all the firm's clients, apparently she did so for the purpose of using the information to contact clients for whom she had worked while at the firm.[58] If that is so, treating the portions of the list used by the associate as a trade secret of the firm would directly undermine the ability of clients to choose their lawyers.

An additional fact in *Siegel* bears emphasis because it suggests an important limitation on application of trade secret law to client lists. While at the firm, the associate had maintained a rolodex with information on clients with whom she worked.[59] When she left the firm, she took the rolodex with her.[60] The court of appeals held, simply, that the rolodex "contains the names of clients she worked for and she could properly retain this information."[61] The firm did not appeal on this issue.[62] If rolodex information is not a trade secret, then it is likely that information limited to data on clients that the withdrawing lawyer had represented is not protectible as a trade secret, a result that seems eminently sensible.[63]

There was a spirited dissent in the case. Noting that "[c]lients may not be reserved to any lawyer or firm as a trade secret"[64] in his dissent, Justice Cook distinguished between the identity of clients included on a list, which may not be trade secrets, and other information incorporated into a client list. As to the latter, he concluded

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57. *Cf.* Early, Ludwick & Sweeney, LLC v. Steele, No. CV980409063S, 1998 WL 516156, at *4 (Conn. Super. Ct. Aug. 7, 1998) ("[T]he court finds that the dispute presented here is not purely entrepreneurial or commercial. The dispute between the parties here is as to who is entitled to represent the clients concerned. It necessarily implicates the clients' rights, including their right to choose their lawyers.").

58. *Siegel*, 707 N.E.2d at 857.

59. *Id.* at 856.

60. *Id.* at 857.

61. Fred Siegel Co. v. Arter & Hadden, No. 71440, 1997 WL 428629, at *4 (Ohio Ct. App. July 31, 1997).

62. *Siegel*, 707 N.E.2d at 863.

63. *See also* Sonkin & Melena Co. v. Zaransky, 614 N.E.2d 807, 861 (Ohio Ct. App. 1992) (concluding the firm's workers' compensation client list maintained in its computer data base could be a trade secret but that the firm had failed to prove it had taken affirmative steps to protect the information).

64. *Siegel*, 707 N.E.2d at 864 (Cook, J., dissenting).

> trade secret law would protect Siegel's investment in developing the compilation aspects of its client lists—the cross-referencing of a given client's name with parcel numbers, the names of other property owned or managed by that same client, billing names and phone numbers, the identity of clients if different from the named tax plaintiff, the identity of owners of properties, and the contact people of leased property.[65]

### *B.* Early, Ludwick & Sweeny v. Steele

In *Steele*, the withdrawing lawyer contacted sixteen clients he had represented in pediatric lead poisoning cases while at the firm.[66] The firm asserted "that the names, addresses and telephone numbers, guardians, blood lead levels, and insurance coverage" constituted a client list that was the firm's trade secret.[67] The court acknowledged that a client list may be a trade secret but concluded that the information at issue in this case did not so qualify because the requisite standard of secrecy had not been satisfied.[68] It added:

> Defendant Steele acquired the client list by proper means, in the course of work for plaintiff. Having worked on the cases in question and established relationships with these clients, Steele was entitled to notify them of his change of employer and to signify his willingness to represent them if they so desired. . . .
>
> The efforts made by ELS to maintain secrecy of the alleged trade secrets appear to be no more than the usual precautions taken by a law firm to ensure clients' files remain confidential. . . .
>
> . . . .
>
> . . . The central issue in this case—the use by Steele of the client list—and the relief sought by plaintiff—an order enjoining Steele from using the list—directly implicate the said clients' rights to choose their representation. . . . Were the court to grant the relief requested, the clients' right to change counsel would be restricted. This would clearly be contrary to public policy. . . .
>
> . . . .
>
> The court notes in passing it is highly unlikely that the clients in question, in choosing ELS to represent them, contemplated that ELS thus acquired a proprietary interest in their names, addresses, telephone numbers, medical conditions and blood lead levels such as to restrict said clients' freedom to change lawyers as the clients see fit.[69]

In at least two ways, *Steele* departs from the analysis offered in *Siegel*. First, *Steele* considers the effect on clients of extending trade

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65. *Id.* at 865 (Cook, J., dissenting).

66. Early, Ludwick & Sweeney, LLC v. Steele, No. CV980409063S, 1998 WL 516156, at *1 (Conn. Super. Ct. Aug. 7, 1998).

67. *Id.* at *3.

68. *Id.* at *2.

69. *Id.* at *3-*5.

secret protection to the client list. In contrast, *Siegel* offered a more *generic* trade secret analysis that might be applied without modification to the client list of an accounting firm or, for that matter, any commercial venture. As a matter of policy, *Siegel*'s approach may be sensible, but the failure of the court to even recognize the elevated role of client choice in the law firm context disconnects the opinion from previously unchallenged norms of legal ethics.

*Steele* also differs from *Siegel* as to the inclusiveness of the information at issue. In *Steele*, the client information used by the departing lawyer was limited to sixteen matters for which the attorney had been responsible while at the firm. In contrast, the *Siegel* information consisted of sixty-six pages of data that included information on all of the firm's clients (numbering in the hundreds). To the extent information is overinclusive and extends well beyond the clients and matters handled by the attorney while at the firm, the argument that client interests preclude protection of the firm's interest in the information weakens. Stated another way, the differing results in the two cases may be understood by recognizing that the associate in *Siegel* took far more information than was necessary in order for the clients to be given a reasonable choice of whether they wish to be represented by the firm or its departed lawyer.

## IV. A CLOSER LOOK AT THE TRADE SECRET FORMULA AS APPLIED TO LAW FIRMS

The awkwardness of treating a law firm client list as a trade secret becomes apparent upon examination of the conditions for the protection of information as a trade secret. To be sure, a client list rather easily may constitute a "compilation"[70] as that term is used in the UTSA's definition of a trade secret. The Uniform Act's definition also includes, however, requirements that information be protected. The Act requires that the information is not readily ascertainable by proper means and that efforts have been made to maintain its secrecy.[71] Moreover, it is only the act of misappropriation that entitles the firm to injunctive relief or damages.[72] Each of these conditions merits closer examination.

### *A. Ascertainability*

Courts vary in application of the standard that information must not be readily ascertainable by proper means. One court has reasoned that time is a factor in this analysis, so that information that can be reverse engineered only through the expenditure of consider-

70. UNIF. TRADE SECRETS ACT § 1(4) (1985).
71. *Id.* § 1.
72. *Id.* § 2.

able time is not readily ascertainable.[73] Other courts, however, do not emphasize time and resource expenditures in the ascertainability inquiry.[74] Under either approach, a law firm client list including hundreds of clients, each of whom has a relatively small claim, embodies information that likely is not readily ascertainable from other sources.[75] As the number of clients decreases, however, the ease with which reverse engineering may be accomplished increases and trade secret status of client information becomes more problematic.

### *B. Efforts to Maintain Secrecy*

Both *Siegel* and *Steele* properly emphasize that a firm that has not taken steps to protect the secrecy of client information will be unable to protect the information as a trade secret.[76] As another court put it in a case involving a commercial customer list, "It would be anomalous for the courts to prohibit the use of information that the rightful owner did not undertake to protect."[77]

*Siegel* found summary judgment against the firm was inappropriate in light of the facts that the "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 . . . [and] employees [were informed] that the client list information was confidential and not to be removed from the office."[78] Because these measures do not differ from normal precautions taken by firms to protect the confidentiality of client information independent of trade secret concerns, *Siegel* may be suggesting it should be a relatively simple matter for most firms to satisfy the secrecy condition for trade

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73. Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890, 899 (Minn. 1983); *see also* ALCES & SEE, *supra* note 8, § 3.3.1, at 81 (1994) ("The term 'readily ascertainable' should be contrasted with the term 'available after lengthy and expensive efforts.'").

74. *See, e.g.*, Steenhoven v. Coll. Life Ins. Co. of Am., 458 N.E.2d 661 (Ind. Ct. App. 1984).

75. An example would be the client list of a firm that specializes in worker compensation claims.

76. *Cf.* Fleming Sales Co. v. Bailey, 611 F. Supp. 507, 512 (N.D. Ill. 1985):

> Of course the absence of specific confidentiality procedures (whether written or unwritten) does not itself negate the existence of 'reasonable' efforts to maintain secrecy—-all the Act requires. . . . So long as Fleming scrupulously limited distribution of customer list information to employees and outsiders whose access was necessary to Fleming's successful pursuit of its business, it must be deemed to have satisfied the 'reasonable efforts' requirement, particularly if those given access to the information were also advised to preserve its confidentiality . . . .

77. Dicks v. Jensen, 768 A.2d 1279, 1284 (Vt. 2001); *see also* Surgidev Corp. v. Eye Tech., Inc., 828 F.2d 452, 455 (8th Cir. 1987) (observing that "reasonable" rather than "all conceivable" efforts are required and concluding that employer took adequate steps to protect the identity of ophthalmologists who were high-volume implanters of intraocular lenses even though it did not remind departing employees of secrecy of information).

78. Fred Siegel Co. v. Arter & Hadden, 707 N.E.2d 853, 862 (Ohio 1999).

secret status. Such a reading of the case may be errant, however, because the court was simply pointing to the existence of issues of material fact for summary judgment purposes.

An additional measure to preserve the secrecy of client lists not addressed in *Siegel* is to include in the partnership agreement or employment contract specific provisions according trade secret status to client information.[79] At least as applied to information pertaining to clients with whom an attorney has a past relationship, however, the enforceability of such contractual provisions is dubious. Contracts restricting the right of a lawyer to practice law are void under prevailing standards of legal ethics.[80] Contracts that seek to prevent the use of information by withdrawing lawyers are likely to share a common fate with contracts that impose economic penalties of withdrawing lawyers who compete. In their inability to enforce restrictive covenants, law firms are at a disadvantage when compared with other firms and may have comparatively greater difficulty in safeguarding confidential information.[81]

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79. Such agreements may also bolster claims that information has been misappropriated. *Cf.* Nilssen v. Motorola, Inc., 963 F. Supp. 664, 679-80 (N.D. Ill. 1997) ("While an express confidentiality agreement may certainly suffice to define the duty of confidentiality necessary for action under Act § 2(b)(2)(B)(II), the existence of such an agreement is not a prerequisite to such an action. Rather a duty of confidentiality may be implied from the circumstances surrounding the parties' relationship.") (citations omitted).

80. *See* MODEL RULES OF PROF'L CONDUCT R. 5.6 (2001).

81. In *Fleming*, 611 F. Supp. at 514, for example, the court noted that employers are not helpless in dealing with employees who leave and take confidential information because "[n]othing prevents such an employer from guarding its interests by a restrictive covenant." The employer in the case was a manufacturer's representative business. In some jurisdictions, enforcement of a restrictive covenant may be far more difficult than *Fleming* suggests. *See*, *e.g.*, Dougherty, McKinnon & Luby, P.C. v. Greenwald, Denzik & Davis, P.C., 447 S.E.2d 94 (Ga. Ct. App. 1994) (refusing to enforce restrictive covenant against former employees of accounting firm in part because it was overbroad and extended to clients for whom they had not worked).

As this Article was going to press, a California intermediate appellate court rendered an opinion affirming a trial court's finding that a law firm's client list was a trade secret that had been misappropriated by withdrawing partners. *See* Reeves v. Hanlon, No. GC023679 (Cal. Ct. App. Feb. 20, 2003), *available at* http://www.courtinfo.ca.gov/opinions/documents/B151460.PDF (opinion certified for partial reporter publication; full opinion available at website, partial published opinion available at Reeves v. Hanlon, 106 Cal. App. 4th 433 (2003) (last visited Mar. 27, 2003) (on file with author). As to the firm's efforts to protect the client list, the appellate court emphasized a number of factors:

> [T]he trial court made elaborate findings regarding the Reeves firm's measure to protect its client list from outsiders. . . . [The] firm was located in a building with a security guard; the attorney work area was closed to the public, absent an invitation, and monitored by receptionists; the client list was stored in a computer system requiring password access; confidentiality policies regarding client information were stated in the employee handbook, which was signed by all employees; and the importance of client confidentiality was discussed at employee meetings.

*Id.* at *23. Significantly, the factors emphasized in *Reeves* are standard practices for a large number of law firms.

As to the independent economic value of the client list, the court observed:

### *C. Misappropriation*

The UTSA defines misappropriation by reference to "improper means" used to acquire a trade secret,[82] which in turn is defined to include "breach or inducement of a breach of a duty to maintain secrecy."[83] For good reason, the definition rather neatly sidesteps questions of ownership of trade secrets. A trade secret right is not an exclusive property right tantamount to ownership of tangible property.[84] If it were such an exclusive property right, difficult questions concerning the true *owners* of the information (the firm, the lawyers working with clients, or the client themselves) would demand attention. Instead, trade secret law protects information in the possession of one party from another party's acquisition through improper means, including breach of a confidence.

One can with little difficulty find the requisite duty to maintain secrecy in many employer-employee relationships. Once again, however, law firms present difficult issues. Is there a difference between the duties of associates and partners in this regard? Can it be said that partners are under less of a duty by virtue of their co-ownership of the firm? Similar questions have been raised with respect to fiduciary duties of partners and associates, and the absence of adequate responses in that context suggests the issues raised may extend to questions of partner versus associate use of law firm information. Because trade secret protection need not turn on ownership of the in-

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> [T]he trial court found that the Reeves firm's client list was confidential data "developed at great effort and expense over a period of 21 years of practice by advertising, client intake, representation and the good will developed therefrom . . . ." This finding is supported by Reeves's testimony, who indicated that his firm engaged in a specialized practice, and that his existing clients were a fertile source of new business. In view of this testimony, the trial court could properly conclude that the client list had independent economic value because it would allow a competitor to target its efforts to acquire clients.

*Id.* at *22-23.

82. UNIF. TRADE SECRETS ACT § 1(2) (1985).

83. *Id.* § 1(1).

84. *Cf.* E.I. Du Pont De Nemours Powder Co. v. Masland, 244 U.S. 100, 102 (1917), in which Justice Holmes noted:

> The word 'property' as applied to trademarks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore, the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs or one of them.

The issue of whether trade secrets are property remains a matter of debate as well as artful expression. *Compare* ROGER M. MILGRIM, MILGRAM ON TRADE SECRETS § 1.01 (1981) ("Recognition of trade secrets as property is a basic conceptual step from which important aspects of trade secret law are derived."), *with* ALCES & SEE, *supra* note 8, § 3.4.1, at 84 ("A trade secret right is not profitably viewed as an exclusive property right to use the trade secret.").

formation or status of the persons who would use it in competition with the firm, however, there is little reason to draw a distinction between partners and associates in addressing trade secret issues.[85]

A more fundamental problem exists with broadly treating a law firm's client information as a trade secret. Imposing on a particular lawyer the duty to maintain secrecy of the information necessarily requires the lawyer to refrain from using or disclosing the information following withdrawal from the firm. This, in turn, impedes the ability of the lawyer to communicate with and provide services to clients for whom the lawyer worked while at the firm. Such a result would serve as a direct restraint on competition with the firm and could undermine significantly the ability of clients to choose their lawyers.

Given the strength of the principle of client choice, there is little doubt that information will not be protected when clients effectively are asked to bear part of the costs of that protection. This is yet another instance of the development of law specially tailored for the legal profession reflecting the unique position of law firm clients among the larger class of consumers. In any event, perhaps it is concerns with impact on client choice of counsel that explains why in *Siegel* the associate's taking of her rolodex became a nonissue on appeal.[86]

### *D. Remedies*

The UTSA provides for injunctive relief[87] and damages[88] as remedies for a misappropriation of trade secrets. In addition, attorney's fees may be awarded if a claim of misappropriation is made in bad faith or in cases of willful and malicious misappropriation.[89]

The UTSA's injunctive relief provisions include a variation allowing "[i]n exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty."[90] Use of either traditional injunctive relief or the royalty option in cases of client information, however, will raise the usual concerns on frustration of client's choice of counsel.[91] Royalty payments would add the additional

85. *Cf.* REVISED UNIF. P'SHIP ACT § 401(g) (1997) ("A partner may use or possess partnership property only on behalf of the partnership.").

86. *See also* Gibbs v. Breed, Abbott & Morgan, 710 N.Y.S.2d 578, 582 (N.Y. App. Div. 2000) (finding no breach of fiduciary duty when departing attorneys took desk files comprised of duplicates of information contained in the individual client files).

87. UNIF. TRADE SECRETS ACT § 2(a) (1985).

88. *Id.* § 3.

89. *Id.* § 4.

90. *Id.* § 2(b). Exceptional circumstances include "a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable." *Id.*

91. *See supra* notes 39 to 46 and accompanying text.

complication of fee splitting, which is tightly regulated by the ethics codes.[92]

## V. TRADE SECRET PROTECTIONS AND FIDUCIARY DUTIES COMPARED

Even if firm information falls short of trade secret status, its use at the time of a lawyer's withdrawal or thereafter may be restricted by the fiduciary duties under which partners operate. In *Gibbs v. Breed, Abbott & Morgan*,[93] for example, the court found the surreptitious recruiting of associates by partners planning to withdraw from the firm together with the use of information concerning the associates compensation, billing rates, and billable hours constituted an egregious breach of fiduciary duty they owed their firm:[94]

> Sheehan's disclosure of confidential BAM data to even one firm was a direct breach of his duty of loyalty to his partners. Because the memo gave Chadbourne confidential BAM employment data as well as other information reflecting BAM's valuation of each employee, Chadbourne was made privy to information calculated to give it an unfair advantage in recruiting certain employees.[95]

The information involved in *Gibbs* concerned associates rather than clients, but the case does illustrate that fiduciary duty and trade secret law may operate in similar ways to protect information a law firm regards as confidential.

Although similar, the relative protections accorded by the two doctrines will vary from case to case. Consider, for example, the associate in *Siegel*, the trade secret decision discussed earlier.[96] On remand, the critical issue for trade secret purposes is whether the firm took sufficient steps to protect the secrecy of the information. From the fiduciary perspective, however, the measures the firm took to protect the information are not an essential element in defining the duties of the associate while she was at the firm. Instead, if the associate knew the firm regarded the client list as confidential and nevertheless removed it from the firm, she could have breached her duties as a fiduciary through the mere taking of firm *property*. Although efforts to preserve secrecy and misappropriation are distinct requirements for trade secret protection, a fiduciary claim may be developed on the basis of misappropriation (i.e., improper taking) alone. Firms

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92. MODEL CODE OF PROF'L RESPONSIBILITY DR 2-107(A) (1982) (allowing fee splitting only when the client consents, the division is proportionate to the services performed and responsibilities assumed, and the total fees are not unreasonable). An exception allows fee splitting when payments are made to a former partner or associate pursuant to a separation agreement. *See id.* DR 2-107(B). *See generally* HILLMAN, *supra* note 1, § 4.6.2.

93. 710 N.Y.S.2d 578 (N.Y. App. Div. 2000).

94. *Id.* at 583.

95. *Id.*

96. *See* Fred Siegel Co. v. Arter & Hadden, 707 N.E.2d 853 (Ohio 1999).

unable to satisfy the secrecy threshold for trade secret protection thus may still be able to assert claims based on fiduciary duties.

In other respects, however, trade secret protection may be broader than fiduciary duties. Along this line, a rather ancient agency doctrine addresses the duties of the fiduciary with respect to post-withdrawal use of employer information by allowing the employee to take and use only the information he has committed to memory. The *Restatement (Second) of Agency* describes the post-withdrawal duties of the agent as

> not to use . . . in competition with the principal or to his injury, trade secrets, written lists of names, or other similar confidential matters given to him only for the principal's use . . . . The agent is entitled to use general information . . . retained in his memory, if not acquired in violation of his duty as agent[.][97]

Although the statement begs the question to some extent by its references both to trade secrets and to information acquired in violation of a duty, it does make the distinction for fiduciary duty purposes between information taken in documentary form and information that has been memorized.[98] A few courts have concluded memorized information cannot be a trade secret,[99] but UTSA seemingly rejects such a limitation by extending trade secret protection to *information*.[100] The matter is not free from doubt, but at the very least it

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97. RESTATEMENT (SECOND) OF AGENCY § 396(a) (1958).

98. *Cf.* Fleming Sales Co. v. Bailey, 611 F. Supp. 507, 513-14 (N.D. Ill. 1985) (noting that a former employee may use skills and knowledge acquired in the course of employment, provided that written records of compilations are not taken:

> Any other rule would force a departing employee to perform a prefrontal lobotomy on himself or herself. It would disserve the free market goal of maximizing available resources to foster competition . . . . [I]t would not strike a proper balance between the purposes of trade secrets law and the strong policy in favor of fair and vigorous business competition.).

99. For example, in *Avnet, Inc. v. Wyle Lab., Inc.*, 437 S.E.2d 302 (Ga. 1993), the Georgia Supreme Court described the common law distinction between lists containing customer information and a former employee's knowledge of customer information, noted the latter was not a trade secret, and concluded the *Georgia Trade Secrets Act* did not change this result. The state statute was subsequently amended to cover information without regard to form, but it has been held that the amendment applies to tangible forms of information and not memorized information. *See* Amerigas Propane, L.P. v. T-Bo Propane, Inc., 972 F. Supp. 685, 697-98 (S.D. Ga. 1997).

100. UNIF. TRADE SECRETS ACT § 1(4) (1985); *see also* Vigoro Indus., Inc. v. Cleveland Chem. Co., 866 F. Supp. 1150, 1162 (E.D. Ark. 1994) ("[T]he distinction between information which is written down and that which is memorized has little materiality under Arkansas law. The critical issue is whether the information, whether written or memorized, is entitled to protection as a trade secret."), *aff'd in part and remanded in part*, 82 F.3d 785 (8th. Cir. 1986); *cf.* Cont. Dynamics Corp. v. Kantor, 408 N.Y.S.2d 801, 802 (N.Y. App. Div. 1978).

> Since the names of potential customers were readily ascertainable from public sources, the defendants' solicitation of the plaintiff's customers from casual memory is not a legally cognizable wrong. However, where customer lists do not rise to the level of trade secrets, an employee's 'physical taking' or 'studied

would seem that use of information committed to memory distinction is less likely to be less significant for trade secret purposes than it is for the fiduciary duty analysis.

Another way in which trade secret rights may accord broader protections than fiduciary duties is that the status of trade secret information is not affected by the fact that the individual who has the information has left the firm.[101] Fiduciary duties of partners, in contrast, diminish substantially when a partner withdraws from a firm.[102] The same may be said of employees, such as associates, who are not partners of the firm.[103] To be sure, fiduciary duties may be implicated if the information was acquired *by improper means* while the lawyer was still a member of the firm, but in such a case relief is sought for actions taken prior to departure rather than post-withdrawal competition with the firm.[104]

## VI. A FINAL NOTE: THE ROLE OF CONTRACTUAL REMEDIES

By focusing on the potential trade secret status of client lists, this Article has emphasized protections imposed by law. Information may also be protected by contract. For this reason, the UTSA makes clear that the statutory framework for trade secrets does not displace contractual remedies.[105] The Comment adds:

> This Act . . . is not a comprehensive statement of civil remedies. It applies to a duty to protect competitively significant secret information that is imposed by law. It does not apply to a duty voluntarily assumed through an express or implied-in-fact contract. The enforceability of covenants not to disclose trade secrets and covenants not to compete that are intended to protect trade secrets, for example, is governed by other law.[106]

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> copying' of such lists may, nevertheless, form the basis for a cause of action for unfair competition.

*Id.* (citation omitted).

101. *See*, *e.g.*, Gibbs v. Breed, Abbott & Morgan, 710 N.Y.S.2d 578, 590 (N.Y. App. Div. 2000) (Saxe, J., concurring in part and dissenting in part) ("I conclude that the information plaintiffs disclosed to Chadbourne should not be treated as a 'trade secret' or 'confidential matter' since if it were, a departing attorney might have a continuing obligation not to disclose it . . . .").

102. Under the Revised Uniform Partnership Act (RUPA), for example, upon dissociation a partner's duty to refrain from competing with the partnership terminates, although as to matters that arose before the dissociation the partner continues to have duties to account and to refrain from dealing with the partnership as or on behalf of an adverse party. *See* REVISED UNIF. P'SHIP ACT § 603(b) (1997).

103. Associates, as employees, have fiduciary duties to their firms.

104. Although the time at which the individual secured the information is an issue under the trade secret analysis, the protections accorded by this area of law are not limited to relief from actions taken while the partner was at the firm.

105. UNIF. TRADE SECRETS ACT § 7(b)(1).

106. *Id.* cmt.

This allowance of private ordering as a means of defining rights in information is consistent with a view of fiduciary duties as "unspoken expectations" that, by virtue of their default character, are readily supplanted by explicit agreements among the parties.[107]

There is an intuitive appeal to deferring to private ordering to establish rights in information.[108] This is particularly true when the parties are lawyers and presumably capable of bargaining on the subject. The difficulty with deferring to private ordering in establishing rights to information concerning law firm clients is that the results of the bargaining may restrict use of client information in ways that undermine the ability of clients to freely select their law firms. As has been discussed in the context of contractual measures as evidence of efforts to maintain secrecy,[109] the principle of client choice operates to restrict private ordering among law partners on such basic matters as restrictive covenants and contractual disincentives to competition.

Whether the principle of client choice is generally in need of reexamination is beyond the scope of this Article. As long as it remains a fundamental tenet of legal ethics, the role of private ordering in restricting rights to client information is likely to be extremely limited.

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107. *See*, *e.g.*, J. Dennis Hynes, *Freedom of Contract, Fiduciary Duties, and Partnerships: The Bargain Principle and the Law of Agency*, 54 WASH. & LEE L. REV. 439, 442-43 (1997).

108. *Cf.* Gibbs v. Breed, Abbott & Morgan, 710 N.Y.S.2d 578, 582 (N.Y. App. Div. 2000) (finding that withdrawing partners breached no duties to the firm in taking desk copies of recent correspondence, apparently without regard to client authorizations: "These [files] were comprised of duplicates of material maintained in individual client files, *the partnership agreement was silent as to these documents*, and removal was apparently common practice for departing attorneys.") (emphasis added).

109. *See supra* text accompanying notes 79-81.