STATE OF MINNESOTA **SECOND JUDICIAL DISTRICT**

COUNTY OF RAMSEY **Case Type: Other Civil**

THE STATE OF MINNESOTA,

COURT FILE NO. C1-94-8565

BY HUBERT H. HUMPHREY, III,
ITS ATTORNEY GENERAL,

and

BLUE CROSS AND BLUE SHIELD
OF MINNESOTA,

Plaintiffs,

vs.

PHILIP MORRIS INCORPORATED,
R. J. REYNOLDS TOBACCO COMPANY,
BROWN & WILLIAMSON TOBACCO CORPORATION,
B.A.T. INDUSTRIES P.L.C.,
LORILLARD TOBACCO COMPANY,
THE AMERICAN TOBACCO COMPANY,
LIGGETT GROUP, INC.,
THE COUNCIL FOR TOBACCO RESEARCH - U.S.A., INC., and
THE TOBACCO INSTITUTE, INC.,

Defendants.

PLAINTIFFS' MEMORANDUM IN SUPPORT OF PLAINTIFFS', AND IN OPPOSITION TO DEFENDANTS', PROPOSED ADDENDUM TO THE PROTECTIVE ORDER

REDACTED

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I. INTRODUCTION.

Almost one year ago, on June 15, 1995, after weeks of negotiations between the parties, this Court entered a comprehensive Protective Order. This existing Protective Order covers "trade secret" and "confidential" information, see ¶ 5, and provides a series of protections for sensitive information. Defendants, however, now propose a massive and overreaching addendum which would emasculate both the existing Protective Order and this Court's July 14, 1995 order establishing central document depositories. Defendants' clear intent is to stake out a wholly unsupported position in the hopes of obtaining a compromised outcome which awards them relief beyond that warranted by law.

Defendants' intent is betrayed by the sweeping breadth of their proposed definition of protected, or "Category I," information. Category I information is broadly -- indeed indeterminately -- defined by defendants to include, inter alia, "products and manufacturing methods," "information concerning products, processes and technologies," and "research and development." See Defendants' Addendum ("D.A."), ¶ 1(b). Clearly, defendants' description of Category I could encompass the most probative documents requested by plaintiffs. In addition, defendants propose to expand this list even further, stating, "These illustrative lists are not comprehensive." Id.

Indeed, defendants have repeatedly failed to allay plaintiffs' concerns about the scope of their proposal -- and,

more importantly, failed to satisfy their obligation to provide a "particularized showing" of good cause for a protective order --by refusing to provide understandable volume estimates for their proposed Category I. Philip Morris Incorporated ("Philip Morris"), for example, has stated only that "we are talking about numbers that are not going to be in like 10 pages or 100 pages or 1,000 pages."

For this indeterminate, but obviously expansive, volume of documents, defendants propose a profusion of draconian procedures which would frustrate plaintiffs' ability to conduct discovery into some of the most critical aspects of this case. Among defendants' proposals:

- The defendants -- not the Court or the rules of discovery -- would determine which Category I documents are discoverable. Defendants would have the unilateral discretion to provide only "representative documents sufficient to convey responsive information." D.A., ¶ 1(c). Even for samples of documents which they choose to produce, defendants propose to have the discretion to redact information relating to, inter alia, "products and their manufacture." Id., ¶ 14.

- Category I documents which are produced would not be placed in either the Minneapolis or Guildford depositories. Instead, documents would be placed in up to nine new "facilities" -- one for each defendant -- under the control of each defendant. Id., ¶ 5.

- Review of Category I documents would be limited to two attorneys from Robins, Kaplan, Miller & Ciresi ("RKM&C"). Id., ¶ 7. By contrast, defendants list 26 law firms representing defendants, with unlimited numbers of attorneys, which may have access to Category I information at some point in time (although not upon initial production). Id., ¶¶ 8, 9, 11, 12, 13(a), 15(a), 16, and 18.

- The two RKM&C attorneys would not be permitted to make any copies of Category I documents. All notes

must be manually prepared and left in defendants' new document facilities. Id., ¶ 10.

• Defendants would place onerous restrictions on plaintiffs' experts and seek the right to designate witnesses, i.e., "Authorized Deponents," through whom plaintiffs can introduce evidence at trial. Id., ¶¶ 13, 15. Plaintiffs would have to prematurely -- and unilaterally -- disclose experts to defendants. Id.

• No Category I document would be filed with the Court. Presentation of Category I information would be made in camera in the presence of counsel, with no provision for advance preparation by the Court. Id., ¶ 16.

The guise under which defendants seek this extraordinary and unprecedented protection is paragraph 16 of the existing Protective Order, which permits further protection for documents of "a highly sensitive nature." This provision, however, was intended to provide extra security for an extremely small subset of sensitive materials. In fact, in meet and confers, the example which defendants repeatedly referred to as defining paragraph 16 documents -- the most sensitive example they could imagine -- was "the Coca Cola formula."

However, defendants' proposed Category I reaches far beyond "formula" documents. And even if defendants' definition of Category I were narrowed to "formulas," it must be emphasized that the Coca Cola formula itself -- "one of the best-kept trade secrets in the world" and known to only two living persons -- has been ordered produced in discovery. Coca Cola Bottling Co. v. Coca Cola Co., 107 F.R.D 288, 289, 293 (D.Del. 1985). As the Coca Cola decision found, in accord

with a long line of cases, discovery "is virtually always ordered once the movant has established the allegedly trade secret information is relevant and necessary to a plaintiff's case." Id., at 293 (emphasis added).

There can be no doubt that the information defendants seek to suppress is not only relevant and necessary but also rests at the heart of plaintiffs' claims. One example of this, detailed below, is the Marlboro story. The remarkable success of Marlboro appears to be due, in part, to Philip Morris' early ability to secretly manipulate nicotine to create a more addictive product. There is also accumulating evidence of a multitude of manufacturing processes and ingredients which defendants have studied to determine their respective effects on the addictiveness of cigarettes. xxxx

producing party.

The reasons defendants assert for justifying such unprecedented relief have no merit. Defendants assert that plaintiffs pursue "untested theories of liabilities" and thus the need for "discovery at all" is "hypothetical." Def. Mem., p. 9. But defendants have already unsuccessfully moved for the dismissal of plaintiffs' claims. Defendants also describe a "setting" in which documents have been divulged in other parts of the country. However, defendants concede that they do not allege that plaintiffs in this case, or their counsel, are untrustworthy or incapable of fulfilling the requirements of the extensive trade secret protection already in place. In fact, it appears that all of the recent "leaks" have originated with defendants' own employees.

The purpose of trade secret protection is to protect sensitive information from competitors, not litigation opponents. Defendants' proposed order would do the reverse. Their obsession is to erect unfair barriers to plaintiffs' access to and use of relevant evidence. Plaintiffs, nevertheless, recognize that additional precautions may be appropriate for a narrow group of documents of a truly "highly sensitive nature." See Protective Order, ¶ 16. Accordingly, plaintiffs propose an addendum to the Protective Order, filed simultaneously on CLAD, which provides for discovery to proceed under strict -- but fair -- precautions for the most sensitive documents. Plaintiffs' proposal allows for the most protection for 1) "formula" documents and 2) highly sensitive,

trade secret "current" documents (i.e., generated after the complaint in this matter was filed in 1994). Under plaintiffs' proposal, these documents may be produced directly to RKM&C, where two specific attorneys are designated as responsible for their security. RKM&C is entitled to keep only one copy of these documents under double lock; all notes must also be kept under double lock at RKM&C. These documents are protected from the producing party's competitors, and plaintiffs' ability to share the information with plaintiffs in similar cases and even plaintiffs' counsel's clients and experts is restricted.

Plaintiffs respectfully submit that our proposal strikes the proper balance between necessary discovery under the rules of civil procedure and defendants' legitimate need for security.

II. DEFENDANTS' DRACONIAN PROPOSAL IS ONE MORE ATTEMPT TO DERAIL OR DELAY DISCOVERY.

Long ago, the Minnesota Supreme Court cautioned that there is a potential for abuse when a party seeks protection for alleged "trade secrets." Thus, the Court must first inquire into defendants' motives:

> Clearly, before the Court will make any effort to protect trade secrets from disclosure by way of discovery...it must appear that the party alleging that he will be harmed by the disclosure ... is acting in good faith, and not merely using the claim of trade secrets as a means of avoiding legitimate disclosures.

Thermorama, Inc. v. Shiller, 135 N.W.2d 43, 47-48 (1965).

In the present case, defendants literally concede their

improper motives by basing their motion, in large part, on their arguments regarding the merits of this litigation.[3]

Indeed, defendants belie their motives by stating that "the need for discovery at all. . . is to some extent hypothetical." Def. Mem., p. 9. Of course, the proper procedure for attacking the merits of a claim and thereby precluding discovery is not a protective order but a motion to dismiss on the pleadings. Defendants already have tried -- unsuccessfully -- to dismiss much of this case in their Rule 12 motions. By continuing to argue this case should be resolved short of production of their documents, defendants flaunt this Court's Order of December 21, 1995 ("No [Medicaid] deposition pursuant to this order shall be commenced. . . unless and until the defendants have completed production and deposit of all documents properly requested in plaintiffs' discovery requests. . . "). Id., at ¶ 2 (emphasis added).

After 10 months of discovery, it is true that a large

[3] Defendants' gratuitous attacks on the merits of cigarette litigation in other jurisdictions demonstrate a view of the litigation landscape which, to say the least, is not shared by other observers. In fact, the tobacco litigation around the country has reached an unprecedented magnitude and strength. In Mississippi, defendants' motion on the pleadings has been denied, defendants' motion challenging the authority of the Attorney General to prosecute the action has been denied, the State's motion to dismiss certain affirmative defenses has been granted, and the case is set for trial in March 1997. In Florida, defendants' massive efforts to repeal the special statute authorizing the suit failed, and defendants are cross-appealing a trial court decision which rejected many of their attacks on the constitutionality of the statute. Seven states have now filed suit, including Texas, which has brought federal anti-racketeering charges. And numerous federal grand juries are reportedly investigating a wide range of criminal charges.

number of documents have been produced, approximately 2.7 million pages by domestic defendants and 5 million pages by B.A.T. Industries ("BAT"). However, it has become quite clear that defendants are dumping mountains of marginal -- or irrelevant -- documents into the Minneapolis depository, perhaps with the misguided hope that their proposed addendum will offer them the excuse to withhold forever their more probative documents.

The statistics on "document dumping" are striking. Of the documents reviewed by plaintiffs to date, less than 2% have been internal documents designated by plaintiffs for copying (excluding organizational charts). Certain defendants' productions are particularly abysmal, including Philip Morris and Lorillard Tobacco Company ("Lorillard"). The corresponding percentage of internal documents for these two defendants is approximately 0.06%. Neither Philip Morris nor Lorillard have yet to produce any internal documents of any use to plaintiffs, except for organization charts. When plaintiffs inquired why Lorillard was not producing internal documents, Lorillard responded that it has been withholding "trade secret documents pending the entry of an appropriate protective order." Exhibits 1 and 2.[4] Of course, there already is "an appropriate protective order" which specifically governs trade secret documents. See Protective Order, June 15, 1995, ¶ 5. Nevertheless, for 10 months of

[4] All exhibits are to the affidavit of Roberta B. Walburn.

discovery, Lorillard has unilaterally determined to withhold internal documents from plaintiffs.[5]

Even BAT, which had laudable early production efforts, has cut off the flow of documents. BAT has not produced a single document into the Guildford depository in four months (other than documents which by stipulated order were to be produced by the end of last year), and is threatening to disregard this Court's order of an end-of-the-year deadline for document production. See Order of March 20, 1996.

Defendants now know which small percentage of documents plaintiffs are copying from the depositories and know that plaintiffs are finding the few needles in the massive haystacks. Defendants' present motion thus seeks another excuse -- the unilateral withholding and redaction of documents and the imposition of unworkable restrictions on plaintiffs' access to documents -- to delay and/or prevent proper discovery as part of their campaign to prevail not on the merits but by attrition, "General Patton" style. [6]

III. CATEGORY I INFORMATION IS NOT ONLY RELEVANT BUT IS

[5] In addition, despite this Court's repeated orders on indices, Lorillard has refused to produce to plaintiffs -- or provide to the Court for in camera review -- its complete internal research and development indices ("INTERNAL" and "STORED FILES"). Instead, Lorillard has insisted on the entry of a protective order specifically for those indices. Exhibit 3.

[6] Courts across the nation continue to recognize that the tobacco industry has abused discovery privileges in attempt to place relevant evidence beyond the reach of justice. See, e.g. Sackman v. The Liggett Group, Inc., __ F. Supp. __, 1996 W. L. 128107, at * 8-10 (E.D.N.Y. 1996) (documents relating to scientific research discoverable under crime/fraud exception).

CRITICAL TO ISSUES CENTRAL TO THIS LITIGATION.

Clearly, the broad sweep of Category I information, as defined by defendants, encompasses many, if not the overwhelming majority, of the documents which will be most probative of the central issues in this litigation. Two of the Category I classifications -- "products and manufacturing methods" and "information concerning products, processes and technologies" -- encompass the crucial issues of "safer" cigarettes and nicotine manipulation. See Complaint, at ¶¶ 38-45, 64-70. A third Category I classification -- "marketing information of a currently highly competitively sensitive nature" -- encompasses the crucial issue of targeting children, as well as misrepresentations and false advertising. Id., at ¶¶ 71-74, 101-20. The fourth Category I classification -- "information subject to third-party confidentiality agreements" -- is of unknown scope since defendants have failed to provide plaintiffs, or the Court, with any information on the nature or number of these agreements.

The allegations of plaintiffs' complaint alone are more than sufficient to warrant full discovery into these areas. Moreover, documents produced to date provide compelling support for both plaintiffs' claims and the need for further discovery. Thus, while the overwhelming majority of defendants' document production has been of marginal utility, with painstaking effort plaintiffs have uncovered a number of documents -- primarily from BAT and R. J. Reynolds Tobacco

Company ("RJR") -- which are devastating to the industry's litigation and public relations contentions.

A. The Manipulation of Nicotine/The Marlboro Story.

The relevancy of Category I information is shown by the story behind the remarkable success of Marlboro as pieced together from documents produced in this case by RJR and BAT. Notably, although Marlboro is a Philip Morris brand, plaintiffs have yet to review any documents produced by Philip Morris itself relating to nicotine manipulation in Marlboro.

Marlboro is now the number one selling brand in the United States. In the 1960's, Marlboro began its sharp rise in sales. This quickly attracted the attention of Philip Morris competitors, who began to investigate the reasons for Marlboro's success.

By 1973, RJR was conducting an intensive study of the physical and chemical properties of Marlboro. Exhibit 4, p. 4124. RJR discovered that there was a significant difference between the smoke pH of its brands and Marlboro. Id. The pH value of smoke, which relates to the level of acidity/alkalinity, has a marked impact on the properties of nicotine in a cigarette. As this RJR study stated:

> In essence, a cigarette is a system for delivery of nicotine to the smoker in attractive, useful form. At "normal" smoke pH, at or below about 6.0, essentially all of the smoke nicotine is chemically combined with acidic substances hence is non-volatile and relatively slowly absorbed by the smoker. As the smoke pH increases above about 6.0, an increasing proportion of the total smoke nicotine occurs in "free" form, which is volatile, rapidly absorbed by the smoker, and believed to be instantly perceived as a nicotine "kick."

Id., p. 4125 (emphasis added).

RJR discovered that the pH of Marlboro was consistently and significantly higher than RJR's brands, and, accordingly, Marlboro contained more "free" nicotine and "would be expected to show more instantaneous nicotine 'kick' than our brands." Id., p. 4124-25. This was the case even though Marlboro had reduced the total amount of nicotine. Id., p. 4125. At the same time, the "free" nicotine in Marlboro -- the nicotine with the "kick," which is not routinely disclosed to the public -- had risen to almost three times the amount in RJR's Winston smoke. Id.

RJR concluded that the relatively high smoke pH of Marlboro was "deliberate and controlled." Id., p. 4124. RJR further concluded that Philip Morris (and Brown & Williamson Tobacco Company) appear "to design products primarily to deliver optimum nicotine impact and satisfaction. . . ." Exhibit 5, p. 7545. [7]

RJR further concluded that other brands which were selling well -- for example, Brown & Williamson's Kool -- also had higher smoke pH and increased "free" nicotine. Exhibit 4,

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[7] Philip Morris's competitors were not the only ones taking note of Marlboro's increasing sales. In 1973, the same year that RJR was analyzing the Marlboro phenomenon, Mike Wallace of CBS "60 Minutes" interviewed James C. Bowling, a Philip Morris executive, and asked, "[W]hy is Philip Morris apparently doing so much better than the industry as a whole?" Exhibit 6, p. 7545. Bowling, not surprisingly, did not point to the increased level of "free" nicotine in Marlboro. Instead, Bowling responded, "I wish I knew the answer to that. . . . We do have four brands that are growing quite rapidly. It is difficult to explain why." Id.

pp. 4124-25. In fact, RJR charted the "free" nicotine and pH levels of different brands of cigarettes against annual sales figures and constructed mathematical regression models which demonstrated that "free" nicotine correlated to the market share of different cigarette brands. Id., pp. 4142-43.

RJR began to consider moving its brands in the same direction. Id., p. 4126. Most poignantly, one RJR memo recommended developing cigarettes with an additional nicotine "kick" through pH regulation -- for the "youth" market, i.e. "the up and coming new generation of smokers." Exhibit 7, p. 6152 (emphasis added).

Accordingly, RJR catalogued various methods "which may be used to increase smoke pH and/or nicotine 'kick'", including:

- Increasing the amount of (strong) burley in the blend;
- Reducing casing sugar;
- Use of alkaline additives, such as ammonia compounds;
- Addition of nicotine to the blend;
- Removal of acids from the blend;
- Special filter systems to remove acids from or add alkaline materials to the smoke; and
- Use of high air dilution filter systems.

Exhibit 4, p. 4127. All of these methods would be encompassed by defendants' proposed Category I.

Similarly, the U.S. Food and Drug Administration ("FDA") recently catalogued a variety of methods that defendants may use for nicotine manipulation, many of which parallel defendants' proposed Category I, including the use of

reconstituted tobacco (compare defendants' Category I, "primary processing"), tobacco leaf growing, leaf purchasing and leaf blending (compare defendants' Category I, "leaf blends and leaf blend formulas"), the use of flavors and casings (compare defendants' Category I, "flavor and casing formulas"), and chemical manipulation (compare defendants' Category I, "products and manufacturing methods"). See, generally 60 Fed. Reg. 41693-721 (August 11, 1995). [8]

The need for these Category I documents is made all the more critical by the fact that, despite the accumulating evidence, defendants consistently deny that they manipulate nicotine. Defendants also maintain that even if they possess the ability to manipulate nicotine, they do not utilize their technological know-how in commercial products. Exhibit 10. As the (then) president of Philip Morris testified under oath before Congress in April 1994:

Philip Morris does not manipulate nor independently

[8] Other documents produced by defendants in this case indicate
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control the level of nicotine in our products.

Exhibit 11, Hearings Before the Subcommittee on Health and the Environment, March 25 and April 14, 1994, Part 1, p. 542.

In short, nicotine manipulation in commercial products is directly at issue in this litigation.

B. <u>The Harmful Effects of Cigarettes/Design Parameters</u>.

Category I information also is directly relevant to proving the causal link between cigarette smoking and death and disease, and to proving that defendants have privately known -- but continue to this day to publicly deny -- this causal link. Accordingly, discovery regarding the harmful nature and effects of cigarettes is crucial. This discovery necessarily includes information relating to the design and manufacture of cigarettes, as discovery to date has begun to demonstrate that the design of cigarettes may have an impact on potential hazards.

For example, xxxx

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person's decision to smoke. . . ."). Similarly, the U.S. Centers for Disease Control ("CDC") has reported that the three most heavily advertised brands -- Marlboro, Camel and Newport -- are the three most commonly purchased brands among adolescents. Exhibit 17.

Indeed, the youth market is essential to the very survival of the cigarette industry. As the FDA reported:

> Every day, another 3,000 young people become regular smokers. U.S. data suggest that anyone who does not begin smoking in childhood or adolescence is unlikely to ever begin.

60 Fed. Reg. 21314 (emphasis added).

Accordingly, cigarette manufacturers have devoted substantial resources to advertising and promotional campaigns directed toward this young market. Clearly, defendants' proposed Category I information -- "marketing information of a currently highly competitively sensitive nature" and "currently sensitive marketing strategy" -- is directly relevant to this aspect of the litigation.[10]

Again, discovery to date has slowly begun to disclose the callousness of defendants' marketing efforts. xxxxxxxxxxxxx xxxxxxxxxxxx

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the rule that "no one can be a judge in its own cause." Snowden By and Through Victor v. Connaught Lab., 137 F.R.D. 325, 334 (D.Kan. 1991) appeal denied, 1991 WL 60514 (rejecting proposal that the defendant itself decide which information is privileged). Defendants cannot become the "self-appointed censors" who "claim for themselves the role of deciding which . . . documents will be shielded . . ." as "the vice of this proposition is self-evident." U.S. v. International Business Machines Corp., 82 F.R.D. 183, 184-85 (S.D.N.Y. 1979). Allowing defendants to judge their own case is particularly inappropriate here, where public health issues are of paramount importance. Where, for example, "products are indeed hazardous, information concerning the dangers of the products and the corporation's lack of action to prevent the dangers or its attempt to conceal the dangers should not be subject to protection under Rule 26(c)." Culinary Foods v. Raychem Corp., 151 F.R.D. 297, 301 (N.D. Ill. 1993).

A party seeking any exception from discovery must describe the allegedly protected information sufficiently to enable opposing parties to assess the merits of the claim. See Manual For Complex Litigation 3d, § 21.43, p. 66 (1995). The burden rests on a party resisting or imposing conditions on discovery of "trade secrets" to show that the information sought is truly a trade secret, the disclosure of which will cause harm. Coca Cola Bottling Co., 107 F.R.D. at 293.

This showing requires, as established even in the cases cited by the defendants, "specific demonstrations of fact."

Culinary Foods, 151 F.R.D. at 303. It must be a "particularized showing." Parsons v. General Motors Corp., 85 F.R.D 724, 726 (N.D.Ga. 1980)(denying trade secret protection because "GM's allegations of competitive harm are vague and conclusory when specific examples are necessary."); see also, Hartman v. Remington Arms Co., 143 F.R.D. 673, 679-86 (W.D. Mo. 1992)(identifying specific documents given heightened protection). Broad allegations, such as those found in the affidavits submitted by defendants, do not satisfy the burden. See Affidavit of Ronald Bianchi, ¶ 3; Affidavit of David Townsend, ¶ 4; Affidavit of Kenneth Houghton, ¶ 2 (all describing Category I documents in broad terms that do not specify with particularity what Category I includes).[11]

Indeed, specific provisions of the defendants' proposal make it clear that much of the undefined universe of information for which they seek protection is not truly sensitive. A legitimate concern would be the protection of highly sensitive information from competitors in the cigarette industry -- i.e., the other defendants in this case. American Standard, Inc. v. Pfizer, 828 F.2d 734, 739-41 (Fed. Cir.

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[11] Throughout the meet-and-confer process on the proposed addendum -- which began more than four months ago -- defendants have dodged plaintiffs' repeated requests for specific volume estimates of all types of documents that would be covered by defendants' proposals. Exhibits 20 and 21. Counsel for Philip Morris stated only that "we are talking about numbers that are not going to be in like 10 pages or 100 pages or 1,000 pages." Exhibit 22, p. 117. RJR estimated that "our best guess right now is we are talking about tens of thousands of pages." Id., pp. 129-30. Brown & Williamson stated that it could be as many as 200,000 pages. Id., p. 116.

1981). In fact, courts have rejected trade secret protection because a showing of irreparable harm is not possible where disclosure is to non-competitors. Coca Cola Bottling Co., 107 F.R.D. at 299 (movant denied protective order because adversary was not a competitor); Waelde v. Merck, Sharp & Dohme, 94 F.R.D. 27, 29 (E.D.Mich. 1981) (same).

Yet defendants' proposed addendum allows potentially wide dissemination to their competitors. Counsel for co-defendants are left to determine amongst themselves to what degree they can access Category I information. Indeed, defendants' proposal anticipates that the manufacturers will receive "legal, non-business advice" based on Category I information of their competitors. D.A., ¶ 18.[12] Defendants' improper obsession with preventing plaintiffs, but not their competitors, from seeing allegedly trade secret information makes Thermorama's warning of potential abuse particularly relevant.[13]

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[12] In rendering such advice, counsel may "rely[] generally on an examination of Category I information" but may not "directly or indirectly disclose any Category I information." Id.

[13] This lack of concern by defendants regarding sharing information with competitors -- through their counsel -- is shown by the joint use by multiple defendants of the same law firms. On a number of occasions a single law firm has represented more than one defendant. Latham & Watkins first represented Brown & Williamson in this litigation, then Liggett -- with Philip Morris paying Latham's attorneys' fees for representing Liggett. Exhibit 23. Similarly, Shook, Hardy & Bacon represents Lorillard in this litigation, but has represented many tobacco interests over the years and, in fact, created databases for documents from both Lorillard and Philip Morris. Exhibits 24, 25 and 26.

The proper way to determine whether extra protection is warranted is not to allow one party to unilaterally define a vague category of documents for trade secret protection. The very cases relied on by defendants make it clear that in camera review by the court is necessary. In Re Remington Arms Co., Inc., 952 F.2d 1029, 1033 (8th Cir. 1991) (threshold question of trade secrets should not be left to the unilateral designation of producing party but should be decided on in camera inspection); Hartman, 143 F.R.D. at 692 (limiting scope of protective order to "matters reviewed by this Court in camera").

Plaintiffs do not contend, of course, that the court should review in camera the hundreds of thousands -- or more -- of pages that the defendants claim as Category I. Defendants should not, by their refusal to follow the rules, simply transfer such a burden to the court. See Jamison v. Kidder Peabody Co., 1987 WL 6602, *2 (N.D. Ill. 1987). Rather, defendants' failure make a concrete showing of the protection they seek, or to limit the information over which they seek protection to a manageable scope, means they have failed to meet the steep showing required. See Ares-Serono Inc. v. Organon Intern. B.V., 862 F.Supp. 603, 609 (D. Mass. 1994) (party seeking to modify protective order already agreed to by the parties and entered by the court has a higher burden).

V. NO REDACTION OR WITHHOLDING OF RESPONSIVE DOCUMENTS SHOULD BE ALLOWED.

Defendants propose that they be allowed to withhold and/or redact information from any Category I document in any of three ways. First, defendants will not produce or, apparently, log any responsive information which falls outside of the "representative" responsive documents they are willing to produce.[14] Defendants can also redact any information "pertaining to products and their manufacture" found in Category I information. D.A., ¶ 14. Finally, defendants refuse to produce any information subject to third-party confidentiality agreements. Id., ¶ 1(b).

There is no "fundamental principle" that trade secrets be redacted. Def. Mem., p. 16.[15] While Minn. R. Civ. Proc. 26.03(g), and its federal counterpart, Fed. R. Civ. Proc. 26(c)(7), allow that trade secrets may "not be revealed," courts resort to such a drastic order only if the information

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[14] Thus, defendants ask that this Court supersede its March 29, 1995 Case Management Order, ¶ III.D.8, which holds that "each and every redaction shall be listed in the privilege log . . .."

[15] Defendants' reliance on Heublein v. E & J Gallo Winery, Inc., 1995 U.S. Dist. LEXIS 4521 (S.D.N.Y. 1995) as establishing such a principle is misleading. Heublein required the disclosure of Gallo's wine cooler ingredients, but not its precise formula, because the issue in the case was whether the wine cooler contained a particular ingredient -- tequila. Id. at *7. Thus, the precise formula was irrelevant. Mycogen Plant Science v. Montsanto, 1996 U.S. Dist. LEXIS 2264, *18, did not bar discovery of "formulas." In fact, the court ordered production of one gene sequence of the pesticide at issue and noted that if the party made stronger showing of relevance in the future, it could discover other gene sequences. Similarly, in Hartman, 143 F.R.D. at 687, the court ordered discovery of documents showing designs and even prototypes of a product under development where that information was relevant to plaintiff's claims.

is irrelevant to the litigation at issue. Thus, "it is well established that trade secrets are not absolutely privileged from discovery in litigation." Coca Cola Bottling Co., 107 F.R.D. at 292. Indeed, defendants' newest entry as counsel in this case has written that "[d]isclosure of trade secrets is required where the matter sought appears relevant to the issues in controversy." Roger Milgrim, 3 Milgrim On Trade Secrets § 14.02[3][a], p. 14-76 (1995).

The Minnesota Supreme Court has long so held. In Baskerville v. Baskerville, 75 N.W.2d 762, 771 (Minn. 1956), the Court ordered that one party in a divorce case produce financial information about a corporation because:

> Where nonprivileged evidence is relevant and essential to a fair adjudication of issues, the protective powers of the court should be exercised not to exclude the evidence absolutely but to admit it with protective safeguards. There usually is no absolute protection against disclosure of trade secrets and practices on the ground that the revelation might result in giving information to a competitor when, if the evidence is not admitted, the issues cannot be fairly tried.

Indeed, discovery "is virtually always ordered once the movant has established the allegedly trade secret information is relevant and necessary to a plaintiff's case." Coca Cola Bottling Company, 107 F.R.D. at 293; Compaq Computer Corp. v. Packard Bell Electronics, 163 F.R.D. 329, 338 (N.D. Cal. 1995) ("A survey of relevant case law reveals that discovery is virtually always ordered once the movant has established that secret information is both relevant and necessary")(emphasis added).

Thus, even if the defendants could make the required threshold particularized showings, there can be no "representative production" or redaction. If the showing of competitive harm is made, "the burden shifts to the party seeking discovery to establish that the disclosure of trade secrets is relevant and necessary to the action." Coca Cola Bottling Company, 107 F.R.D. at 293. Once the showing of relevance and necessity is made, "the balance between the need for information and the need for protection against the injury caused by disclosure is tilted in favor of disclosure. Coca Cola Bottling Company, 107 F.R.D. at 293; Heublein, Inc, 1995 Dist LEXIS 4521, *3. Discovery is then virtually always ordered. Compaq Computer Corp., 163 F.R.D. at 338; Melori Shoe Corp. v. Pierce & Stevens, Inc., 14 F.R.D. 346, 347 (D. Mass 1953) (defendant's interest in the protection of its trade secrets" must yield to the right of the plaintiff to discover the full truth of the facts involved in the issues); 8 Wright, Miller & Marcus, Federal Practice and Procedure 2d, § 2043, p. 554 ("the protection that is afforded [for trade secret information] is that if the information sought is shown to be relevant and necessary, proper safeguards will attend disclosure").[16]

[16] The United States Supreme Court has also recognized that "orders forbidding any disclosure of trade secrets or confidential commercial information are rare. More commonly, the trial court will enter a protective order restricting disclosure to counsel." Federal Open Market Committee v. Merrill, 443 U.S. 340, 362, n. 24, 99 S.Ct. 2800, 2813, n. 24 (1979).

In the trade secret context, the relevancy standard is the same broad standard applicable to pre-trial discovery i.e., the material sought is relevant to or may lead to admissible evidence. Coca Cola Bottling Co., 107 F.R.D. at 293 (collecting cases). The showing required is relevancy to the subject matter of the action, rather than relevancy to precise issues. Milgrim, supra at § 14.02(3)(a). Where relevancy is in doubt, the court "should be permissive." Compaq Computer Corp., 163 F.R.D. at 335.

The level of necessity that must be shown is that the information must be necessary for the movant to prepare its case for trial, either to prove its own theories or rebut its opponents theories. Coca Cola, 107 F.R.D. at 293. A party's need for information is enhanced where, as in this case, "the information is uniquely available from the party from whom it is sought." American Standard Inc., 828 F.2d at 743; see also Compaq Computer Corp, 163 F.R.D. at 338-39 (need test satisfied where information sought "cannot be derived in any other fashion. . .").

The decision in Coca Cola Bottling Co. is particularly instructive. There, the court found that the formula for Coca Cola was relevant and necessary to plaintiffs' case because the formula was a basis for the defendants' defense. Thus, even though the formula was "one of the best-kept trade secrets in the world," it was ordered produced. Id. at 289. See also American Tobacco Company v. Evans, 508 So.2d 1057 (Miss. 1987) (identity of all chemical additives used in Pall

Mall cigarettes, as well as all tests made on those additives to determine whether they posed a health hazard to smokers, was discoverable despite the claim that information was trade secret).

Nor can defendants rely on their contracts with third parties to place relevant information beyond discovery. Parties cannot contract privately to place relevant documents beyond the reach of discovery. Grumman Aerospace Corp v. Titanim Metals Corp., 91 F.R.D. 84, 87-88 (E.D.N.Y. 1981). Indeed, this issue has already been decided against defendants. American Tobacco Co., 508 So.2d at 1058, 1061 (rejecting claim that contracts with "flavoring houses" that designated ingredient information confidential created a bar to discovery).

In sum, in the present case, where the broad scope of information defendants seek to shield is relevant and necessary to the case -- to issues of addiction, safer cigarettes, suppression of information on health effects and advertising to children -- defendants' proposal to withhold information is contrary to law.[17]

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[17] Defendants apparently intend that there be a procedure by which plaintiffs can challenge redactions in a small subset --"list of ingredients" -- of the redactions defendants authorize themselves to make. This procedure anticipates plaintiffs bringing two separate motions to the Court. D.A., ¶¶ 14(a)-(b). That plaintiffs' narrow remedy against defendants' power of unilateral redaction must be so cumbersome explains why one commentator warns that imposing trade secret rules on large numbers of documents creates severe case management concerns by creating more problems than it solves. Marcus, "The Discovery Confidentiality Controversy," 1991 Illinois Law Review, 457, 490.

VI. DEFENDANTS' PROCEDURES ARE MERITLESS AND UNFOUNDED IN THE LAW.

Defendants' attempt to make their unprecedented proposals look reasonable is a house of cards built on inaccurate or irrelevant citations to authorities that actually support plaintiffs' proposal. Obviously, defendants' intent is to propose numerous outlandish procedures in hopes the tendency toward compromise will lead this Court to grant a few.

A. Defendants' Attempt to Dictate Where and How Plaintiffs Will Review Documents Is Not Supported By The Authority They Cite.

Seeking to by-pass the existing depositories, defendants intend not to "produce" any Category I information, but merely to hold it in "examining rooms" under the auspicious of each defendants' "custodial counsel." The cases on which defendants rely do not, however, authorize a producing party to maintain documents in their own possession. Ares-Serono, Inc., a case on which defendants rely repeatedly, soundly rejects their position:

> As framed, the Proposed Supplemental Protective Order would essentially prevent plaintiffs' counsel . . . from maintaining a complete set of the documents in his Chicago office. . . . Such a solution is impractical and unduly hampers plaintiffs' counsel access to the . . . documents.

862 F. Supp. at 608. Defendants also cite Hartman for the proposition that original trade secret documents can be made available only at the offices of the producing party's counsel. ¶ 12. Defendants fail to inform the Court that Hartman allowed discovering counsel to, after viewing the originals, take copies of selected documents. Hartman, 143

F.R.D. at 690, 691. Heubelin Inc., 1995 U.S. Dist. LEXIS 4521, * 11, describes the production of documents to the requesting party's counsel, who is then responsible to act as "custodian counsel". In re Remington, 952 F.2d 1033, simply states that a protective order can designate an attorney as a custodian and cites to Citicorp v. Interbank Card Ass'n, 87 F.R.D. 43 (S.D.N.Y. 1980). Citicorp in turn describes a procedure where "recipient counsel" -- the party requesting and obtaining the documents -- acts as "custodian." Id., at 48-49. Plaintiffs' proposal, not defendants', follows Heubelin and Citicorp, by identifying specific counsel at RKM&C who will be responsible for maintaining the security of the most sensitive documents.

Thus, documents "produced" in the traditional sense of the word will be adequately protected. Indeed, one Minnesota court has already ruled that allegations that "others" outside the law suit will disseminate trade secrets does not justify "unilaterally imposed conditions to guard against . . . intentional disclosures by persons other than attorneys." St. Jude Medical, Inc. v. Intermedics, Inc., 107 F.R.D. 398, 401 (D.Minn. 1985) (ethical obligations of attorneys receiving documents provide sufficient protection). Defendants' fear of "vociferous anti-tobacco partisans," Def. Mem., p. 5, does not justify depriving plaintiffs in this case of relevant evidence.[18]

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[18] Defendants fail to explain that "leaks" of internal information to date have been largely the doing of defendants'

Defendants also provide no authority for limiting plaintiffs to two attorneys who can review Category I documents. While the authorities which defendants cite for this extreme measure do hold that access to documents can be restricted to "trial counsel," the majority of the cases do not even discuss limiting the number of counsel. Indeed, most of the cases cited by defendants anticipate that counsel for the recipient party will be able to use all legal resources at its disposal to litigate the case. See Ares-Serono, 862 F. Supp. at 609 (access limited to outside counsel and support staff); Culinary Foods, Inc., 151 F.R.D. at 309-310 ("counsel of record and those who assist, supervise or monitor" the case); Hartmen, 143 F.R.D. at 691 (access limited to "counsel, his co-counsel, and any member of their firm participating or assisting in this litigation"); St. Jude Medical, Inc., 107 F.R.D. at 399, n.1 (access limited to "counsel for parties including associates, legal assistants, secretarial and clerical personnel").

Defendants' argument that there is legal support for

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own employees or legal representatives, not "anti-tobacco partisans." Jeffrey Wigand, who has alleged that a Brown & Williamson executive lied to Congress and that Brown & Williamson counsel repeatedly hid potentially damaging scientific research, is a former Brown & Williamson research executive. Exhibit 27. The so-called "Brown & Williamson Papers" that form the basis of the Journal of American Medical Association's articles showing how lawyers controlled scientific research in attempt to cloak the research in privilege were disclosed by a paralegal in one of Brown & Williamson's law firms. Exhibit 28. The latest "whistle-blowers" are former Philip Morris employees. Exhibit 29. The fact that the industry's wall of silence is crumbling from within cannot be imputed to either plaintiffs or "partisans."

their drastic restrictions on note-taking by plaintiffs' attorneys is also incorrect. As the court found in St. Jude Medical, Inc., a requirement that plaintiffs not take notes would destroy any "meaningful review of the technical document or adequate preparation by trial counsel." St. Jude Medical, Inc., 107 F.R.D. at 401. Nor did the court, as defendants argue, "grant a protective order prohibiting removal of notes." See D.A., p. 10, n. 13. In St. Jude Medical, Inc., the Eighth Circuit ruled only that the producing party could "apply" for a protective order to prevent "notes, wire recordings or photographs" from being removed by the depository. It was only if an in camera inspection showed that the notes were "super-sensitive" that their release was to be restricted. Id. at 402.

None of the cases defendants cite to prevent plaintiffs from making copies of documents are relevant to defendants' proposal, as none hold that the discovering party receive neither a copy nor the original of purportedly sensitive documents. Heubelin clearly anticipated that responsive documents be actually produced to the requesting party's attorney. 1995 U.S. Dist. LEXIS 4521, *11. Spartanics v. Dynetics Engineering Corp., 54 F.R.D. 524, 527 (E.D. Ill. 1972) also makes it clear that the documents at issue were delivered to the discovering party's attorney.

B. Defendants' "Pre-screening" Procedures Have No Support In The Case Law.

Defendants propose that they be allowed to "pre-screen"

both the attorneys and the experts who can see any Category I documents and propose to prevent disclosure to any individual for whom they alone have a "reasonable basis for concern." Hartman does not support their position. The court in Hartman allowed production to attorneys who had committed "technical violations" of protective orders. 143 F.R.D. at 678. The court questioned whether "technical, insubstantial violations of protective orders" -- the very kind for which defendants will search to justify a "reasonable basis for concern" -- should be brought to the attention of the court. Hartman intones that scrutiny of such matters is not worthy of court time. Id. at 678. Culinary Foods, Inc. precluded dissemination to a particular individual who had violated previous protective orders, but only after the party resisting production apparently made a showing to the court sufficient to justify the sanction. Culinary Foods, 151 F.R.D. at 311. Here, defendants request the unilateral power to, on mere allegations, disqualify a person. Nothing will result but collateral litigation and delay.

C. There Is No Support For Defendants' Proposed Control Over Plaintiffs' Experts.

Defendants propose to limit plaintiffs to one expert for each Category I classification, require plaintiffs to prematurely and unilaterally disclose experts, and allow defendants to object to any expert. D.A. ¶ 12.

The severe limitation of the number of experts is unnecessary. Even the cases cited by defendants do not limit

experts in a manner overly restrictive to plaintiffs' right to fully present their case. See Ares-Serono, 862 F.Supp. at 608 (allowing up to five experts to examine discrete category of documents generated as part of New Drug Application).

Defendants also offer no support for a veto power over experts. Hartman does not grant carte blanche power to the producing party to veto experts. Rather, the case simply holds that the producing party can approach the court to bar disclosure to experts. Hartman, 143 F.R.D. at 692. Spartanics is a preliminary order that invites the parties to obtain "more specific rulings . . . as problems arise." 54 F.R.D. at 526.

Nor do defendants provide support for their strict proposed undertakings that each expert would be required to sign. None of the cases cited require that an expert agree in advance to be liable under a third-party beneficiary theory or waive all privileges and other defenses. Indeed, the case upon which defendants rely, Westinghouse Electric Corp. v. Newman & Holtzinger, 46 Cal. Rptr. 2d 151 (Cal.App. 1995), describes the dangers of turning a protective order into a private contract between parties, i.e. the trial court is divested of any ability to modify the agreement should circumstances change, the threat of "spiraling" collateral litigation, and at bottom, impairment of the function of discovery to "facilitate the search for truth and promote justice." 46 Cal. App. 2d at 159. Plaintiffs' proposal provides the required protection: no experts can be employed

by any producing party's competitor and all experts must submit to the jurisdiction of this Court for enforcement of the protective order. Plaintiffs Addendum ("P.A."), ¶ 10(f)(iv). Additional, intimidating provisions are not necessary.

D. There is No Authority For Defendants Proposed "Authorized Deponents".

Defendants argue they, not plaintiffs, should select the witnesses (i.e. "Authorized Deponents") through which plaintiffs can use industry documents at deposition, thus trial. D.A., ¶¶ 15, 15(e). Both In re Braniff and Friedlander v. Nims, cited by defendants, address only the issue of who can attend depositions, not who the witness must be. Indeed, both cases hold that there is no limitation on whom the discovering party can depose from the producing party. In re Braniff, 1992 WL 262641, *13 (M.D. Fla. 1991) (even if the "officer, director, agent" of the corporation noticed for a deposition purportedly has no knowledge of the matter, the deposition should proceed); Finlander, 571 F.Supp. 1188, 1201 (N. Ga. 1983) (persons to be deposed must sign confidentiality agreement unless such person is the "Producing Party or any present officer, director, agent, employee, consultant or any representative of the Producing Party"). The other cases defendants rely upon also recognize that a discovering party can use internal documents with any witness. See Hartman, 143 F.R.D. at 691 (discovering party may use protected information in deposition of "any liability expert retained [by either

defendant] as well as any Remington officer, director, or employee, past or present").

E. Defendants' Deposition And Trial "Procedures" Are Cumbersome And Unfair.

Defendants propose that all deposition notes of plaintiffs' counsel be impounded and locked up in the so-called "examining rooms." The only authority cited for this procedure, Collins v. Polk, 115 F.R.D. 326 (M.D. La. 1987), involved a court's condemnation of an attorney for taking depositions in one action without informing the deponents or, indeed the defendants, that they were being taken for the purposes of use in a second action. The court ordered that the depositions not be used for any purpose and that notes taken during the depositions be submitted to the court. Collins, 115 F.R.D. at 329. Obviously, a case with such different facts does not help this Court's consideration of the wholly different issue of a protective order.

Defendants also propose that no Category I information be filed with the Court or disclosed in any papers or pleadings filed with the Court. D.A., ¶ 16. Defendants do not explain why the traditional approach -- filing under seal as proposed by plaintiffs -- is inadequate. Moreover, the indeterminate scope of defendants' Category I makes this procedure completely unworkable and, indeed, unsupported by their authority. Hotchkiss v. Sears, Roebuck & Co., Inc., 139 F.R.D. 313, 317 (M.D. Pa. 1991), involved two narrow categories of documents which the court had reviewed and, rejecting the

defendants request that they not be produced, ordered them produced under a protective order which required that they be filed in open court only with leave of court.

VII. PLAINTIFFS' PROPOSAL PROVIDES ALL THE TRADE SECRET PROTECTION DEFENDANTS DESERVE OR NEED.

Minnesota courts prefer to accommodate privacy needs in discovery by allowing disclosure of supposedly private documents subject to an adequate protective order. Gunnufson v. Onan, 450 N.W.2d 179, 181 (Minn. App. 1990). Plaintiffs' proposed addendum accommodates defendants' concern that "highly sensitive trade secret" materials receive heightened protection without suppressing evidence or constructing elaborate, unfair procedures. In particular, plaintiffs' proposal ensures that defendants' trade secrets will not be disclosed to their competitors. Plaintiffs recognize their ethical duties to comply with any protective order and thus propose a document custodian similar to that required under In re Remington and Citicorp. P.A., ¶ 10(f). Disclosure of any materials may not be made to any officer, director or employee of any other party which is a manufacturer of cigarettes. Id., ¶ 6.

Similarly, plaintiffs propose procedures to ensure that third parties do not disseminate any protected information in a manner harmful to the defendants. For example, any person to whom documents are given must first submit to the jurisdiction of this Court and sign a confidentiality agreement pursuant to the existing Protective Order. Id., ¶

6(c)(i).

Plaintiffs propose three levels of protection for documents, depending on the sensitivity of the documents:

- "Trade secret" or "confidential, private, or similarly protected information": This information is the subject of the Protective Order of June 15, 1995. See ¶ 5, Protective Order.

- "Highly sensitive, trade secret information": This is information which is both "trade secret," as defined in Minn. Stat. § 325C.01, subd. 5, and "highly sensitive," that is, so proprietary or competitively sensitive that its disclosure to a competitor would cause irreparable competitive injury. P.A., ¶ 2. Under plaintiffs' proposal, this information is protected from defendants' competitors. Id., ¶ 6.

- "Trade secret formula documents": This is information which meets the definition of "highly sensitive, trade secret" and also 1) discloses formulas for cigarettes, or 2) was written after the August 1994 filing of suit in this action. Id., ¶ 10(a).

Plaintiffs propose the most heightened protection for this last category of documents: formulas and current information. See U.S. v. International Business Machines Corp., 67 F.R.D. 40, 47-49 (S.D.N.Y. 1975) ("stale" information less likely to merit trade secret protection). RKM&C attorneys will maintain only one copy at their office under double lock. P.A., ¶ 10(f)(ii). Any such document will be filed under seal with the Court, with other parties -- the producing parties' competitors -- receiving only redacted copies. Id., ¶ 9(f)(i). The identity of plaintiffs' experts must be disclosed to the Court in camera and ex parte, and experts will be given copies of the documents only with the consent of the producing party or pursuant to court order.

Id., ¶ 10(f)(iv). Plaintiffs also propose that such information not be available to other attorneys in other smoking and health cases or government agencies absent order of the court. Id., ¶ 10(f)(vii).

Plaintiffs' proposal strikes the correct balance. Defendants, by contrast, seek to use their request for trade secret protection to make this case even more costly and difficult to litigate. Plaintiffs offer defendants a way to protect their trade secrets from competitors but at the same time make the information available for the trial of this matter.

VIII. CONCLUSION.

For the reasons stated above, defendants' motion should be denied. If the Court believes extra protection is warranted, Plaintiffs' Proposed Addendum should be entered.

Dated this 30th day of April, 1996.

ROBINS, KAPLAN, MILLER & CIRESI

By: /s/ Gary L. Wilson

Michael V. Ciresi (#16949)
Roberta B. Walburn (#152195)
Gary L. Wilson (#179012)

2800 LaSalle Plaza
800 LaSalle Avenue South
Minneapolis, Minnesota 55402-2015
(612) 349-8500

SPECIAL ATTORNEYS FOR THE STATE OF MINNESOTA
AND
COUNSEL FOR BLUE CROSS AND BLUE SHIELD OF MINNESOTA