STATE OF MINNESOTA | DISTRICT COURT

COUNTY OF RAMSEY | SECOND JUDICIAL DISTRICT

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.

**MEMORANDUM IN SUPPORT OF DEFENDANTS'
PROPOSED ADDENDUM TO PROTECTIVE ORDER**

I. THE REALITIES SURROUNDING THIS LITIGATION MANDATE AN EFFECTIVE PROTECTIVE ORDER

Defendants propose an Addendum to the June 16, 1995 protective order (the "Original Order"). This Addendum has been engineered to achieve practical, not simply theoretical, protection for defendants' most valuable competitive information, which defendants call "Category I Information". The threat that this litigation poses to such information is unprecedented. As a preventative, defendants' proposed Addendum is drawn from precedent in other cases where orders were drawn to confront significant potential threats to confidentiality. The proposed Addendum, comprehensively annotated, is Exhibit 1 to the Affidavit of Robert A. Schwartzbauer sworn to April 16, 1996.[1] It provides a series of pragmatic, largely physical protections, including redaction; physical safekeeping of materials containing Category I Information (including Plaintiffs' Counsels' notes); and prior screening of, and direct undertakings by, experts and others who are to gain access to defendants' most sensitive information.

A. The Setting of the Proposed Addendum

Why is such a heightened degree of vigilance necessary? Because this litigation takes place in a context that warrants utmost precautions to assure confidentiality. Unfortunately, protective orders of the kind that the plaintiffs have proposed are proven failures in the setting of tobacco litigation. While plaintiffs may make further proposals during the pendency of this motion, plaintiffs' proposals to date would deny the most stringent protections to such competitively sensitive information as ongoing research and marketing plans for products under development; would put defendants' most sensitive

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All references to numbered Exhibits are to Exhibits to the Schwartzbauer Affidavit. Lettered Exhibits are attached to defendants' proposed Addendum. Defendants have also submitted affidavits of representatives of Philip Morris Incorporated and R. J. Reynolds Tobacco Company in support of this motion.

product formula information in the custody of plaintiffs; would prohibit redaction as a protective device; would impose few meaningful restrictions on experts, indeed permitting even those believed to have violated other court orders to gain access to the information at issue; and would otherwise place defendants' "crown jewels" at tremendous risk.

By contrast, the defendants' proposed Addendum combines limitations on who may gain access to their most valuable information with physical safeguards. While the effort quotient, both for defendants and for plaintiffs, is not insignificant, the paramount interest of the defendants in protecting their most competitively sensitive information in a suit in which each defendant's principal competitors are also defendants warrants that effort.

Realistically, the form of order plaintiffs have proposed to date, while requiring less effort, has already proven to be ineffectual in what has become emotionally charged tobacco litigation:[2]

- In a recent well-publicized, but hardly isolated incident, for example, the entire transcript of the sealed deposition of a former Brown & Williamson executive in the Mississippi tobacco litigation was available on the Internet, and quoted extensively in the Wall Street Journal, the morning after the deposition had been taken. Wall St. J., January 26, 1996, p. 1, col. 6 and A8, cols. 1-3. See Exhibit 3. That's faster than most litigants receive transcripts from the court reporter.

- Organized opponents of the tobacco industry have created web sites on the Internet and urge those with access to relevant documents to e-mail them to the web

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Some groups opposed to the tobacco industry have characterized defendants' executives as "Merchants of Death" and "Ministers of Propaganda for the International Nicotine Cartel." See Exhibit 2, p. 3.

site owners for widespread display and retransmission. See Exhibit 4. Some of these web sites actually vaunt the availability of "secret" documents. See Exhibit 4, p.2. Tobacco web sites are among the most popular sites on the Internet, attracting close to 5,000 "hits," or viewings, a day. See Exhibit 5.

- ABC's brief filed under seal and containing excerpts of proprietary technical and manufacturing documents Philip Morris had produced under a protective order in its libel suit against ABC has been disclosed in the press, sent to the networks and posted on the Internet. See Exhibit 6, pp. 1, 4-6.

In light of these flagrant breaches of confidentiality, this Court can appreciate the defendants' fear that losing physical control over vital competitive information creates a genuine risk of losing the secrecy of that information altogether. Defendants' Addendum is not proposed to reflect on the trustworthiness of these specific plaintiffs or their counsel. If competitively valuable tobacco industry documents were to fall into the hands of vociferous anti-tobacco partisans, however, history shows that there is a great risk that they would soon be widely disseminated. Unrestricted dissemination of such information through this litigation, whether to the other defendants or to the public at large, would destroy that property. Because of the potential for destruction, courts equate disclosure in derogation of a party's reasonable expectations with a taking violative of the Fifth Amendment.

The defendants' proposed Addendum is crafted to avoid that loss. It does so by providing practical precautions such as redaction of sensitive information not relevant to the case and a variety of other techniques to give physical control to the Designating Party over Category I Information documents, transcripts and notes. Defendants' proposal is designed so that their most valuable information, although made available to plaintiffs'

counsel for use in this litigation, will not fall into the hands of those who would misuse it.

B. The Nature of the Information to be Protected

Plaintiffs in this action have served document demands seeking over 200 categories of information. Compliance with these demands will entail defendants' production of many millions of documents, some of which will contain extraordinarily valuable information.[3] It is the most commercially sensitive of that information -- and only that -- that defendants' proposed Addendum to the existing protective order covers.[4] Such information is at the core of each defendant's competitive advantage vis-a-vis the other defendants and other cigarette companies not party to this action, including defendants' foreign competitors. This is the information that permits defendants to distinguish their brands from each other's, to plan ways to compete with each other in the market, to develop new products, and to make marketing decisions intended to wrest percentages of market share from their competitors. It is the kind of information that each defendant naturally and zealously guards from its competitors, just as the Coca Cola Company does not share its product formulas or market plans with Pepsi Co. or anyone else. Such information is worth billions of dollars in market share. Defendants' concerns are thus far from academic.

Unless defendants' proposed Addendum is adopted, however, documents

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While defendants are still negotiating the scope of the demands, it is clear, for example, that, in plaintiffs' view, the demands will, at least to some extent, be seeking formulation and manufacturing details, market analyses and plans, and information about products under development.

The one exception is the Addendum's provision safeguarding defendants' competitively sensitive and trade secret information from the other defendants unless and until plaintiffs put that information at issue. Addendum ¶ 22.

containing such information would be produced not only to plaintiffs, but also to any experts they choose, even those working for non–party competitors, or those who go to work for competitors in the near future, or those who may have violated other orders. Further, such information would, in the main, be produced to each defendant's principal market rivals: the other defendants. Plaintiffs' most recent proposal would only prevent defendants from gaining access to some of the formula documents, and would not provide adequate physical protection even for those documents. It would permit other competitively vital documents, such as information about products under development, to be fully disclosed to defendants.

The manufacturing defendants compete vigorously with one another (and with other unnamed cigarette companies, here and abroad).[5] Each possesses its own valuable business and technological information that it shields from its competitors. None wants its information to fall into the hands of other defendants -- or any other domestic or foreign competitors -- by reason of discovery in this litigation. Defendants' proposal is a pragmatic effort to limit that risk.

C. The Proposed Addendum: An Overview

Because the plaintiffs had not yet served discovery requests when the Court entered the Original Order, neither the parties nor the Court then had a precise idea as to what documents might be requested that would require confidential treatment. The parties therefore expressly contemplated that they could seek additional protection for documents that are "highly sensitive." Original Order ¶16. Defendants early apprised plaintiffs'

The two research group defendants provide information to the manufacturing defendants.

counsel of the procedures they believed might be used to provide this additional protection including, e.g., prohibitions on copying and/or producing documents on paper that could not be copied.[6]

As discovery proceeded, the need for special protection for competitively sensitive information once again came to the fore, as some of the plaintiffs' later document requests specifically targeted competitively valuable information. The parties therefore began exchanging proposed addenda to the original protective order. At this juncture, although the parties do not agree as to form, they do agree that modification of the Original Order to safeguard the legitimate confidentiality interests of the defendants and nonparties is necessary, and that some degree of physical control of the documents is appropriate. Plaintiffs' most recent proposal, presented to defendants on April 10, 1996, however, does not go far enough to yield the kind of protection needed for defendants' Category I Information.

Defendants have effectively proposed a two-tiered approach to purposefully and effectively regulate disclosure here. The first tier is the Original Order. It would govern disclosure of "ordinary" (but still extremely valuable) trade secrets and competitively sensitive information. Those categories of information would, to the extent otherwise properly discoverable, be available to the plaintiffs (and, with some restrictions set forth in defendants' proposed Addendum, to the other defendants, once put into issue by plaintiffs)

These procedures were discussed at a meet and confer on May 22, 1995 between plaintiffs' and defendants' counsel. During that meeting, plaintiffs' agreed that copying prohibitions might be appropriate for ultra-sensitive documents.

subject to the Original Order's terms.

A small segment of the information to be produced is termed "Category I Information." Category I Information is a narrow but uniquely valuable category of proprietary information, such as product formulations, manufacturing processes, products under development, and marketing plans, of the utmost competitive value to each defendant. Such information would also be produced to the plaintiffs, and, when put in issue in this proceeding, to outside counsel for the other defendants, but subject to further safeguards.

As is demonstrated in the annotated version of the defendants' proposed Addendum at Exhibit 1, the protective techniques that the defendants propose are not novel or unprecedented. Rather, by and large they are judicially scrutinized methods and techniques defendants propose that have been forged in other litigation to avert perceived threats to confidential information. Those few techniques that do not have precise parallels in prior case law are nonetheless consistent with such precedent because they provide the level of protection appropriate to these most peculiar circumstances.

II. THE BALANCING OF INTERESTS IN FASHIONING THE ORDER SHOULD WEIGH TH

To fairly assess the defendants' concerns, this Court should take into account not only the nature of the information to be protected but also the nature of this action. Unlike traditional product liability suits brought by a user of an allegedly defective product, this case is a derivative one, offering as yet untested theories of liability and presenting numerous issues of fundamental constitutional dimensions. The Court should take into account that this suit asserts a novel theory of liability that will be challenged in numerous ways before any of the discovery plaintiffs seek will be considered by a factfinder. The

status of Blue Cross/Blue Shield of Minnesota as a plaintiff, for example, is now under review by the Minnesota Supreme Court. Moreover, following discovery of individual smokers, defendants may seek dismissal of the suit in its entirety, among other reasons because a court cannot award damages here based on "aggregate" as opposed to individual proof. Further, plaintiffs in similar lawsuits in other states are encountering a variety of difficulties in maintaining their suits.[7]

Because much of the information being sought in discovery may never even be used to resolve this suit, carefully preserving each defendant's interest in its valuable property is both urgent and appropriate. Whereas the plaintiffs' claims are at the least unprecedented, the need for discovery at all, let alone of sensitive information, is to some extent hypothetical. However, the damage that a defendant would suffer from dissemination of its valuable information is very real. Given the recurring atmosphere and instances of disdain for protective orders in tobacco litigation, the risk is unfairly great in the absence of the protections defendants propose.[8]

In striking the balance, therefore, between making highly valuable confidential

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For example, the Governor of Mississippi has filed an original mandamus petition in the Mississippi Supreme Court seeking to block prosecution of the suit there on the ground that the state attorney general lacks the power to pursue such a claim over the governor's objection. The action in West Virginia came to a sudden halt when the trial court ruled that the attorney general lacked the power to hire private attorneys on a contingent fee basis. The Florida statute authorizing a similar suit has been found unconstitutional in numerous respects and proceedings there are awaiting appellate review.

Defendants' proposal is not at all one in which plaintiffs and defendants will simply combine to shroud the proceedings in secrecy or to shield "corporate vanity" as the Sixth Circuit found to be the case in Procter & Gamble Co. v. Bankers Trust Co., 78 F.3d 219 (6th Cir. 1996). The Original Order ¶12 permits the plaintiffs to contest confidentiality designations. The proposed order does not modify that.

information at the core of defendants' business more conveniently accessible in a case relying upon as-yet untested theories and affording that information the effective protection that will permit it to retain its value, the Court should proceed in favor of the protection the owners of the information view to be needed.

> In balancing the need for discovery with the need for protection of confidential information against competitors, however, the court finds a restrictive protective order preferable to risking the loss of confidentiality, if the claims of plaintiff ultimately prove to be unfounded.

Pulsecard, Inc. v. Discover Card Services, Inc., 1995 U.S. Dist. LEXIS 13111 (D. Kan. 1995).

III. GUIDING LEGAL PRINCIPLES

A. Disclosure Terminates the Trade Secret Status and Destroys Property Rights

When, as a matter of fact, information previously held in confidence becomes publicly available, its trade secret status may be prospectively destroyed. See, e.g., 20B Minn. Stats. Anno. § 325C.1(5)(i) (to be a trade secret, information cannot be "generally known" or "readily ascertainable by proper means"); Restatement of Torts § 757, *comment b* at "Secrecy" (1939) ("The subject matter of a trade secret must be secret. Matters of public knowledge cannot be a trade secret").[9]

Providing adequate protection to trade secrets that will be produced in litigation is necessary precisely because "[c]onfidential business information has long been recognized as property." Carpenter v. United States, 484 U.S. 19, 26, 108 S. Ct. 316

The Restatement continues to have vitality after Minnesota's adoption of the Uniform Trade Secrets Act. Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890, 898 (Minn. 1983).

(1987). A business's interest in competitively valuable business and technological information is recognized as a valuable property right in Minnesota and in virtually every state, including those where the various defendants (and their affiliates) are based and quartered.[10]

Disclosure of trade secret and competitive information may destroy the "secret" nature of the information and, thus, its value as property. See Ruckelshaus v. Monsanto Co., 467 U.S. 986, 1002, 104 S. Ct. 2862, 2872 (1984) ("the extent of the property right [in a trade secret] is defined by the extent to which the owner of the secret protects his interest from disclosure to others"). See also FMC Corp. v. Taiwan Tainan Giant Indus. Co., 730 F.2d 61, 63 (2d Cir. 1984) ("A trade secret once lost is, of course, lost forever"); Metropolitan Life Ins. Co. v. Usery, 426 F. Supp 150, 172 (D.D.C. 1976), cert. before

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See, e.g.:

Minnesota: Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d at 897 ("[i]n defining the existence of a trade secret ... we first focus upon the 'property rights' in the trade secret"); Jostens, Inc. v. National Computer Systems, Inc., 318 N.W.2d 691, 701 n.6 (Minn. 1982) ("**the property view underlies protection of trade secret decisions and is, in fact, the keystone upon which the protection body of case law rests**") (emphasis supplied); Larx Co. v. Nicol, 224 Minn. 1, 28 N.W.2d 705, 711 (1947) (owner of secret process may protect his property rights therein).

Kentucky: Birn v. Runion, 310 Ky. 805, 222 S.W.2d 657, 659 (1949) ("[t]rade secrets are the property of the employer") (quoting Garst v. Scott, 114 Kan. 676, 220 P. 277, 278 (1923)); Aero Drapery, Inc. v. Engdahl, 507 S.W.2d 166, 169 (Ky. 1974) (confidential business information, even if not patentable or trade secrets, is corporate property).

New York: Tabor v. Hoffman, 118 N.Y. 30, 23 N.E. 12, 13 (1889) (leading case) (secret process is property); Spiselman v. Rabinowitz, 270 A.D. 548, 61 N.Y.S.2d 138, 140 (1st Dep't 1946) ("trade secrets are property").

North Carolina: Whittaker General Medical Corp. v. Daniel, 324 N.C. 523, 379 S.E.2d 824, 826 (1989) (proprietary business information, even if not trade secret, is property of business); Young v. Mastrom, Inc., 99 N.C. App. 120, 392 S.E.2d 446, 449 (1990) (same).

Virginia: Va. Code Ann. § 18.2-152.12 (Michie 1996) (in Code Chapter 5, entitled "Crimes Against Property," civil statute designed to protect property interest in trade secrets in or on computer, computer network, computer data, computer program or computer software).

judgment denied, 431 U.S. 924, 97 S. Ct. 2198, aff'd, 736 F.2d 727 (1977); Barr-Mullin, Inc. v. Browning, 108 N.C. App. 590, 424 S.E.2d 226 (1993).

Although a wrongful discloser cannot hide behind his own improper disclosure as a shield to his own liability, Syntex Ophthalmics, Inc. v. Tsuetaki, 701 F.2d 677, 683 (7th Cir. 1983), where a trade secret is in fact made publicly available, albeit without the owner's authorization and contrary to the owner's known desire to maintain the information in confidence, it may well thereby become freely available to all but the wrongdoer. So if Category I Information produced in this litigation is dispersed and then anonymously broadsided, say on the Internet, the producing party could effectively be deprived of its property. See, e.g., Religious Technology Center v. Lerma, 897 F. Supp. 260, 266 (E.D. Va. 1995).

Where trade secrets are recognized as property, the government cannot disclose without compensation a trade secret owner's information deposited with a reasonable expectation of secrecy. Ruckelshaus v. Monsanto Co., 467 U.S. at 1012-14, 104 S. Ct. at 2878. Here, the realities of tobacco litigation and the recurrent disregard for protective orders would convert to a taking discovery ordered to proceed without pragmatically effective safeguards.

B. Rule 26.03 Authorizes Effective Protection

Under Rule 26.03 of the Minnesota Rules of Civil Procedure, the Court has the authority to issue any protective order "which justice requires to protect a party from annoyance, embarrassment, oppression or undue burden or expense." Under Rule 26.03, a trial court has wide discretion in fashioning protective orders where defendants "would be seriously damaged if their financial and trade secrets were exposed." Baskerville v.

Baskerville, 246 Minn. 496, 75 N.W.2d 762, 769 (Minn. 1956).

As do federal courts under the precepts of Fed. R. Civ. Proc. 26 upon which Rule 26.03 is patterned,[11] Minnesota courts consistently grant protective orders to protect a party's trade secrets. Indeed, the "power of the court under this rule shall be exercised with liberality toward the accomplishment of its purpose to protect parties and witnesses." Narveson v. White, 355 N.W.2d 474, 476 (Minn. App. 1984).

Because of that precept, litigants who, like the defendants, have concerns about making their proprietary information subject to discovery, are instructed to petition the trial court, as the defendants here do by their proposed Addendum protective order. Thermorama, Inc. v. Shiller, 271 Minn. 79, 135 N.W.2d 43, 46 (Minn. 1965). The court should then,

> determine whether any protective order, however carefully crafted, would prevent the unauthorized disclosure that [the defendant] contends has occurred in the past. . . . If the court concludes that a protective order will not prevent unauthorized disclosure by [plaintiff] or access to the documents by third parties, it must determine whether it should order that the documents not be produced at all.

In re Remington Arms Co., 952 F.2d 1029, 1033 (8th Cir. 1991).

Thus, a judicially endorsed alternative to a protective order that fails to provide

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Equitable Life Assur. Society v. County of Hennepin, TC-13351, 16286, 18917, 1994 WL 475075 (Minn. Tax Aug. 30, 1994) (slip op.) ("Minnesota's Rules of Civil Procedure [concerning discovery and protective orders] are almost identical to the Federal Rules. Therefore, we are assisted by federal case law and case law from other states whose rules are based on the Federal Rules").

reliably effective prevention of unauthorized disclosure is court-ordered nonproduction. However, that absolute form of protection is not the approach that the defendants' proposed Addendum seeks.

C. Defendants' Proposed Addendum Applies the Techniques Used By Courts in Comparable Situations

Instead, the defendants' proposed Addendum provides effective protective measures. It utilizes judicially developed protective techniques, including, principally, limiting the categories of individuals to whom disclosure may be made, ¶¶7-8, 11-12, 15; prohibiting disclosure to individuals currently working for non–party competitors, ¶12, Exhibit B; imposing limitations on the ability of those to whom disclosure has been made to subsequently work for the Designating Party's competitors in positions in which disclosure would be likely, ¶12; Exhibit B; giving defendants physical custody over all Category I Information, ¶¶5, 10, 15; and permitting controlled redaction as a way of limiting disclosure, ¶14; Exhibits A and B.

The annotated Addendum, Exhibit 1, sets out the legal precedents for its provisions. In the interests of efficient use of the Court's resources, instead of extensively discoursing on these precedents here, we incorporate their discussion in the annotated version at Exhibit 1, and briefly discuss only the most important principles here.[12]

First, defendants' proposed Addendum, ¶1, recognizes that defendants' most competitively sensitive Category I Information encompasses not only formula information, which plaintiffs' April 10, 1996 proposal also recognizes as needing special protection, but

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Defendants have also sought to reduce the burden on this Court by omitting citation to precedent on those aspects of the proposed protective order on which the parties functionally agree.

other kinds of information as well, such as plans for products under development, marketing analyses and plans and manufacturing processes. Courts have recognized the potential for devastating loss if such information is prematurely disclosed through litigation and have ruled that such information may, on occasion, even be entitled to absolute protection (i.e., nonproduction), see Hartman v. Remington Arms Co., 143 F.R.D. 673 (W.D. Mo. 1992).

If the information is produced at all, the use of strict protective measures to prevent destruction of the owner's property rights is clearly warranted. See In re Remington Arms Co., 952 F.2d 1029 (8th Cir. 1991) (directing district court to formulate protective order for such materials which, like defendants' proposed Addendum, limited persons who could have access to the information, limited or prohibited reproduction, and designated an attorney custodian for all such confidential documents). See also Culinary Foods, Inc. v. Raychem Corp, 151 F.R.D. 297 (N.D. Ill. 1993), a products liability case in which there had been found previous violations of protective orders, where the court held that "formulae, marketing strategy, and other matters whose disclosure would affect defendants with their respective competitors or in conjunction with the day-to-day operation of their business are entitled to protection." Id. at 301.

Second, the proposed Addendum is based on the principle that while disclosure must be carefully limited even in cases where a trade secret owner has itself put the secrets in issue, even greater safeguards are required in cases such as this one, where the substantive controversy is not centered on trade secret claims, where the plaintiff is not the owner of the trade secrets, and the owner has not put the secrets in issue.[13] See, e.g.,

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None of the defendants has voluntarily put its secret formula in issue. Accordingly

Heublein, Inc. v. E & J Gallo Winery, Inc., 1995 U.S. Dist. LEXIS 4521 (S.D.N.Y. April 6, 1995) (in a false advertising case challenging use of the term "margarita cooler" on the grounds that it falsely implied that the product contained tequila, court required Gallo to produce only those portions of its formula showing whether tequila or tequila derivatives were components of the mix or not). See also Lenerts v. Rapidol Distrib. Corp., 3 F.R.D. 42, 43 (N.D.N.Y. 1942) (ingredients but not the secret formula should be disclosed in products liability case); Thomas v. Soft Sheen Product Co., 118 A.D.2d 493, 494, 500 N.Y.S.2d 108, 108-09 (1st Dep't 1986) (products liability plaintiff entitled to ingredients of hair spray but not secret formula); Curtis v. Complete Foam Insulation Corp., 116 A.D.2d 907, 908-09, 498 N.Y.S.2d 216, 217-18 (3d Dep't 1986) (product liability defendant need not disclose quantities of ingredients where plaintiff had access to product's basic components).

Implementing this fundamental principle, defendants' proposed Addendum §14(a) and (b) permits defendants to redact competitively vital information, as so many other cases have permitted. But, defendants' proposed Addendum also includes procedures enabling plaintiffs to understand the basis for any redactions, giving plaintiffs access to information identifying the ingredients that have been redacted, and providing plaintiffs with the opportunity to confer further with defendants about any remaining redaction issues.

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here, as in so many cases that have come before, this Court should strike the balance in favor of fully protecting defendants' highly valuable confidential information. Cf. Coca-Cola Bottling Co. v. Coca-Cola Co., 107 F.R.D. 188 (D. Del. 1985) (in a contract dispute with its bottlers, Coca-Cola Co. contended that artificially -sweetened Diet Coke® was not subject to fixed price contracts because it was "different" from traditional sucrose-sweetened Coke®; accordingly, as a condition of maintaining that position, Coca-Cola Co. was required to produce the formulas for the two products for comparison by the trier of fact).

This approach therefore offers a practical way to protect defendants' property interest, yet accommodates plaintiffs' litigation interests.

Third, defendants' proposed Addendum §11 takes into account the special circumstances of and surrounding the case, the nature of the information requested and the relationship between the parties to fashion pragmatic protections. It recognizes, for example, that violations of protective orders have occurred in other tobacco litigation and requires plaintiffs to make an inquiry before disclosing Category I Information to determine whether the prospective disclosees have violated prior orders or are likely to violate this one. By contrast, plaintiffs' proposal would not prevent those who have violated confidentiality obligations in the past to serve as experts and gain access to the information at issue here.

In a similar situation, the Eighth Circuit took into account allegations that the proposed disclosee (there, opposing counsel) had previously violated protective orders. The remedy of contempt for such violations would be insufficient to protect Remington's trade secrets, since "such an after-the-fact remedy is largely ineffectual in a trade secrets case, . . . for once the information is wrongfully released, the trade secret is lost forever and no sanction imposed on the violator can retrieve it." In re Remington Co., 952 F.2d at 1033. Therefore the Eighth Circuit remanded with instructions to the district court to determine whether any protective order, no matter how carefully crafted, would prevent the unauthorized disclosure Remington complained had occurred in the past. If so, the district court was directed to carefully craft an appropriate protective order to protect the information.

On remand, the district court fashioned an order that prohibited production of some

documents altogether because they disclosed information which would not be necessary to prove plaintiff's case but could place the defendant's highly valuable information at risk. The court went on to order a variety of protections, such as restricting the places at which documents would be produced; restricting categories of potential experts and requiring advance identification of experts; permitting redaction; requiring written affidavits and agreements to be bound by the protective order; requiring prior notification of any intention to use confidential documents at depositions, in pleadings or oral argument; requiring transcripts to be filed under seal; and restricting access to transcripts, as well as other protective measures. Hartman v. Remington Arms Co., 143 F.R.D. 673 (W.D. Mo. 1992). Many of these protections are incorporated into defendants' proposed Addendum here. See also Culinary Foods, supra, where the court fashioned a protective order specifically prohibiting disclosure to persons who had violated other court's protective orders.

Defendants' proposal also takes into account the fact that the risk of misuse and disclosure is greater when the parties are competitors. See, e.g., American Standard, Inc. v. Pfizer Inc., 828 F.2d 734, 741 (Fed. Cir. 1987); Advanced Semiconductor Prods., Inc. v. Tau Laboratories, Inc., 3 Fed. R. Serv. 3d 1389, 229 U.S. P.Q. 222 (N.D. Cal. 1986); Everco Indus. Inc. v. O.E.M. Prods. Co., 362 F. Supp. 204, 206 (N.D. Ill. 1973); Heublein, Inc. v. E&J Gallo Winery, Inc., supra. It reasonably limits experts from subsequently working for competitors of the Designating Party in a capacity that would put that party's Category I Information at risk. Defendants' proposed Addendum ¶12, Exhibit B. Cf. Wang Laboratories, Inc. v. CFR Associates, Inc., 125 F.R.D. 10 (D. Mass. 1989) (barring individual who had, as an employee of plaintiff, signed confidentiality agreement from later serving as an expert for defendant in a patent suit); Glasser v. A.H. Robins Co., 950 F.2d

147 (4th Cir. 1991) (upholding order that prevented expert from using confidential information he had previously gained as an expert by assisting other litigants at a later time), cert. denied, 504 U.S. 946, 112 S. Ct. 2290 (1992).

Finally, defendants' proposal recognizes that the best way to keep information secure is to keep it in the owner's custody. Defendants would never voluntarily make the plaintiffs or their counsel a repository of the defendants' Category I Information. Indeed, some of the defendants have routinely denied access to certain Category I Information to their own lawyers. Thus, the proposed Addendum, ¶¶ 5, 10, places physical custody of the documents containing Category I Information with the Designating defendants, while making them available to plaintiffs 24 hours a day.

Defendants' proposed Addendum to the protective order for Category I Information also makes use of other techniques that courts have devised to protect highly confidential information. The annotations and the factual realities, provide extensive support for the safeguards defendants here seek.

IV. CONCLUSION

It is easy to understand that plaintiffs want to pursue their novel claims in the manner least inconvenient to them. But that litigation interest pales in comparison with the defendants' vital, real and immediate concern for the protection of their confidential business and technological information. Given the climate and the repeated instances of disregard for court orders that command but do not effectively ensure confidentiality, the defendants respectfully ask this Court to adopt their protective order and to thereby serve the ends of justice by reducing the risk that their valuable property will be destroyed. The defendants' proposed Addendum permits them to defend this action on the merits without

endangering their most valuable competitive information as the price of doing so.

Dated: April 16, 1996

Respectfully submitted,

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