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IN THE  
**United States Court of Appeals**  
FOR THE FOURTH CIRCUIT

**FILED**  
JUN - 1 2016  
U.S. Court of Appeals  
Fourth Circuit

THEODORE G. HARTSOCK, JR.  
as Personal Representative of the Estate of Sarah Mills Hartsock  
(Estate of Sarah Mills Hartsock),  
*Plaintiff-Appellee,*

v.

GOODYEAR DUNLOP TIRES NORTH AMERICA LTD.,  
a foreign corporation;  
THE GOODYEAR TIRE & RUBBER COMPANY,  
a foreign corporation,  
*Defendants-Appellants.*

ON APPEAL FROM THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF SOUTH CAROLINA AT CHARLESTON

REPLY BRIEF OF APPELLANTS  
GOODYEAR DUNLOP TIRES NORTH AMERICA LTD. AND  
THE GOODYEAR TIRE & RUBBER COMPANY

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FOURTH CIRCUIT

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The Appellants, Defendants below, Goodyear Dunlop Tires North America, Ltd.<sup>1</sup> and The Goodyear Tire & Rubber Company, respectfully state as follows in reply to the Response Brief of Appellee, Dkt. No. 40,<sup>2</sup> filed by Hartsock:<sup>3</sup>

### ARGUMENT

In his Response Brief, Hartsock accuses Defendants of false statements, even of a lack of “good faith” in presenting case law. Dkt. No. 40 at 22, 23, 25. However, the cases at issue were not cited for the propositions that Plaintiff claims they fail to directly support, but stand for what Defendants argued. *Compare* Dkt. No. 17 at 22 (collecting diversity cases applying “state trade secrets laws”), *with, e.g., Pasadena Oil & Gas Wyo. LLC v. Mont. Oil Props. Inc.*, 320 F. App’x 675, 677 (9th Cir. 2009) (following Montana law in looking to federal common law to determine the trade secret protections provided by Montana’s Rule 26).

In their Opening Brief, Defendants demonstrated that South Carolina law provides the rule of decision in this case, and that Rule 501 therefore requires application of South Carolina’s trade secret privilege to Hartsock’s effort to

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<sup>1</sup> As noted in the Opening Brief, Dkt. No. 17 at 1 n.1, Goodyear Dunlop Tires North America Ltd. (“GDTNA”) is now known as Sumitomo Rubber USA, LLC (“SRU”).

<sup>2</sup> Unless otherwise noted, “Dkt. No.” refers to the number assigned to an electronic document(s) filed in this appeal, Number 16-1142.

<sup>3</sup> Defendants employ in this Reply the same abbreviated references as in its Opening Brief.

compel production of Defendants' Trade Secrets.<sup>4</sup> *See* Dkt. No. 17 at 19–24.

Defendants further demonstrated that the Supreme Court of South Carolina has authoritatively construed S.C. Code Ann. § 39-8-60(B) of the South Carolina Trade Secrets Act (“SCTSA”) to provide heightened protections from disclosure of trade secrets “in ‘any civil action’ where trade secrets are sought.” *Laffitte v.*

*Bridgestone Corp.*, 674 S.E.2d 154, 161–62 (S.C. 2009); Dkt. No. 17 at 27–31.

Defendants also established that the District Court did not apply South Carolina law to Hartsock’s attempts to compel discovery of what he conceded to be trade secrets. Dkt. No. 17 at 31–32. Finally, Defendants showed that Hartsock had not made the evidentiary proffer required by South Carolina law to justify compelled disclosure. Dkt. No. 17 at 32–34.

Hartsock does not contest that the Trade Secrets are, in fact, trade secrets.<sup>5</sup>

Nor does Hartsock suggest that the District Court did apply South Carolina law to his motions to compel—how could he? Instead, he advances frivolous evasions in an attempt to escape the obvious application of Rule 501. These include: that the

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<sup>4</sup> *See* Dkt. No. 17 at 2–3 & n.3.

<sup>5</sup> Nonetheless, the Safety Institute (“TSI”), as amicus, seeks to challenge the trade secret status of the Butyl Content and Global Design Manual. *See* Dkt. No. 47 at 5, 21–24. These contentions are refuted by the record, JA 243–47, ¶¶ 5–16; JA 516–19, ¶¶ 5–12; *see also* Dkt. No. 17 at 2–3, 6–7, 9 & n.7, 12–13; Dkt. No. 40 at 1, 8, 22, 30, and case law, Dkt. No. 29-1 at 9–14, are premised upon nothing more than unsupported assertions, Dkt. No. 47 at 5, 22–23, and are an improper attempt to expand the issues presented, *see Eldred v. Reno*, 239 F.3d 372, 378 (D.C. Cir. 2001). Therefore, this Court should decline the invitation to entertain a challenge to the trade secret status of the information sought.

protections codified in S.C. Code Ann. § 39-8-60(B) and construed in *Laffitte* do not count as a “privilege” under Rule 501, Dkt. No. 40 at 18–21; that even if they do count, any error was harmless because these protections do not differ from those recognized in federal case law, *id.* at 15–17; and that any error was also harmless because, even if they do differ and *Laffitte* is due to be applied, the District Court did not abuse its discretion in ordering disclosure, *id.* at 32–35.

**I. This Court Reviews De Novo Whether the District Court Applied the Wrong Legal Standard, Which Once Demonstrated Is an Abuse of Discretion as a Matter of Law.**

Defendants concede that Hartsock is partly correct that the “basis” on which some of the previously deposed witnesses refused to answer certain questions, “without challenge from Plaintiff’s counsel,” Dkt. No. 17 at 8 (citing JA 238–39), involved privilege assertions, and information, other than trade secrets, *see* Dkt. No. 40 at 4 n.1. Hartsock is only partly correct because Plaintiff did seek to discover the Butyl Content during the deposition of Mr. Daniel Badzinski, Dist. Ct. Dkt. No. 105 at 1, 3, 7–9, and when the Defendants moved for a protective order, Hartsock did not contest the motion, Dist. Ct. Dkt. No. 113.

Turning to Plaintiff’s statement that abuse of discretion provides the standard of review, Dkt. No. 40 at 10, 34–35, this is wrong because Defendants argue an error of law—application of the wrong legal standard. Dkt. No. 17 at 19–20; *see Hawkins v. Stables*, 148 F.3d 379, 382 (4th Cir. 1998) (“A proper analysis

of privilege questions must begin with a determination of the applicable law.”); *see, e.g., King v. Marriott Int’l, Inc.*, C.A. No. 9:05-1774, 2006 WL 2092592, at \*3 (D.S.C. July 26, 2006) (Duffy, J.) (holding a magistrate judge’s order to be “contrary to law when it fails to apply or misapplies relevant statutes, case law or rules of procedure.” (citations omitted)). “A district court by definition abuses its discretion when it makes an error of law.” *See In re Grand Jury Proceedings #5 Empanelled Jan. 28, 2004*, 401 F.3d 247, 254–55 (4th Cir. 2005) (quoting *Koon v. United States*, 518 U.S. 81, 100 (1996), and holding that the district court abused its discretion by misapplying the law governing the crime-fraud exception to the attorney-client privilege). Because the District Court applied the wrong legal standard, to the extent the abuse of discretion standard applies, it has been met.

## **II. The SCTSA Creates South Carolina Privilege Protections That Must Be Applied to Hartsock’s Claims.**

### ***A. Rule of Evidence 501 clearly provides for application of South Carolina privilege law to this diversity case.***

The parties agree that “there is no need for the Court to enter into an *Erie* Doctrine analysis.” Dkt. No. 40 at 17. That is true because “Congress has decreed that state privilege law should be applied” as a consequence of adopting Rule 501. 23 WRIGHT & MILLER, FEDERAL PRACTICE & PROCEDURE § 5432 (1st ed.); *see also* 23 WRIGHT & MILLER, FEDERAL PRACTICE & PROCEDURE § 5422 (1st ed.) (“Congress has chosen to exercise the ‘*Hanna* option’ so as to deprive federal

courts of the power to disregard state privileges. Thus ... the *Erie* issue has been put to sleep.”). Because Congress has already decided the issue, it is immaterial whether the SCTSA or *Laffitte* “declare [their] formulation of the balancing test to apply to courts outside the South Carolina state court system.” Dkt. No. 40 at 17–18.

The portion of Federal Rule of Evidence 501 providing that “in a civil case, state law governs privilege regarding a claim or defense for which state law supplies the rule of decision” was adopted in 1975 to resolve any *Erie* question concerning what law, that of the federal government or that of the States, “governs claims of privilege.” Pub. L. No. 93-595, § 1, 88 Stat. 1933 (Jan. 2, 1975); *see* Fed. R. Evid. 501, 1974 advisory committee’s note (“The proviso is designed to require the application of State privilege law in civil actions and proceedings governed by *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938), a result in accord with current federal court decisions.”). In rejecting the Rules Committee’s initial proposal and mandating application of state privilege law, Congress returned the rule of decision to essentially what it had been in the Fourth Circuit, *see, e.g., Krizak v. W.C. Brooks & Sons, Inc.*, 320 F.2d 37 (4th Cir. 1963), which had recognized that where state law provides the rule of decision, “there is no federal interest strong enough to justify departure from State policy.” Fed. R. Evid. 501, 1974 advisory committee’s note; *see Krizak*, 320 F.2d at 43 (“[A] serious problem

of interference with state policy might arise if the federal government were to completely ignore state created confidential relationships”; thus, “the majority of federal courts have applied state statutorily created privileges, at least in diversity cases”).

***B. The courts of the Fourth Circuit routinely follow Rule 501’s direction to apply state privilege law.***

Contrary to Hartsock’s contentions, Dkt. No. 40 at 12–13, the district courts of the Fourth Circuit generally follow Rule 501 and this Court’s direction that privilege issues be determined by state law in diversity cases. *See Stonehocker v. General Motors Corp.*, 587 F.2d 151, 155 (4th Cir. 1978) (“In general terms, Congress left those matters [regarding privilege] to the rule in the State courts in diversity cases.” (citing Fed. R. Evid. 501)); *see, e.g., Mt. Hawley Ins. Co. v. Felman Prod., Inc.*, 271 F.R.D. 125, 131 (S.D.W. Va. 2010) (applying West Virginia’s common law attorney-client privilege); *Hatfill v. New York Times Co.*, 459 F. Supp. 2d 462, 465–66 (E.D. Va. 2006) (applying Virginia’s common law reporter’s privilege); *Koch v. Specialized Care Servs., Inc.*, 437 F. Supp. 2d 362, 368 (D. Md. 2005) (applying Maryland’s common law attorney-client privilege); *Hartsell v. Duplex Prods., Inc.*, 895 F. Supp. 100, 101 (W.D.N.C. 1995) (applying North Carolina statutory law of privilege for reports to government), *aff’d* 123 F.3d 766 (4th Cir. 1997); *Felder v. Wyman*, 139 F.R.D. 85, 86–87 nn.1–2 (D.S.C. 1991) (following Rule 501 and looking to South Carolina common law on whether

privilege attaches to physician-patient relationship). Hartsock again misconstrues Defendants' position when arguing that Defendants contend "that only the District of South Carolina applies the standard Rule 26(c) balancing test." Dkt. No. 40 at 23. What Defendants actually argued was that only the District of South Carolina refuses to apply state trade secrets privilege law in diversity cases. *See* Dkt. No. 17 at 20–23.

Hartsock attempts to support the argument that the District Court correctly ignored South Carolina privilege law by urging inapposite cases. The only diversity case cited is *Mustang Innovation, LLC v. Sonoco Prods. Co.*, No. 4:14-cv-3756, 2015 WL 4508830 (D.S.C. July 24, 2015), which did not consider which law to apply under Rule 501, the issue having not been raised in the parties' briefing, *see Mustang Innovation, LLC v. Sonoco Prods. Co.*, No. 4:14-cv-3756-RBH, Dkt. Nos. 21, 24, 27. So, even if the decision could be binding, *see Am. Elec. Power Co. v. Connecticut*, 131 S. Ct. 2527, 2540 (2011), it has no precedential value on the question at hand, the issue having neither been presented nor decided, *see United States v. L. A. Tucker Truck Lines, Inc.*, 344 U.S. 33, 38 (1952).

The other two cases cited, Dkt. No. 40 at 12–13, stemmed from patent infringement actions under federal question jurisdiction. *See Sensormatic Elecs. Corp. v. TAG Co. US, LLC*, 632 F. Supp. 2d 1147, 1155 (S.D. Fla. 2008) (finding

federal question jurisdiction over patent infringement claims); *Pechiney Plastic Packaging, Inc. v. Curwood, Inc.*, No. 1:03-cv-510-WCG, Dkt. No. 9 at 9, ¶40 (E.D. Wis. July 23, 2003) (alleging 28 U.S.C. § 1338(a) as the sole basis for federal jurisdiction). Federal law always supplies the rule of decision in patent infringement actions, and thus courts do and should apply the federal rules and common law regarding privilege. *See Samsung Elecs. Co. v. Rambus, Inc.*, 439 F. Supp. 2d 524, 567 (E.D. Va. 2006) (“Federal law governs claims of work product protection and attorney-client privilege in federal cases. *See* Fed.R.Civ.P. 26(b)(3); Fed.R.Evid. 501. If there were any doubt on that point, it would be dispelled by the fact that Rambus’ patent infringement claims are federal question claims. . . . it can only be assumed that even Rambus’ California-based lawyers were aware of this most basic Federal Rule of Civil Procedure and the fact that they were litigating a federal question case in federal court.”), *vacated on grounds of mootness* 523 F.3d 1374 (Fed. Cir. 2008). The courts evaluating non-party discovery in the cited actions thus naturally applied federal common law. *See Ex parte Sealed Air Corp.*, 220 F.R.D. 452, 453 (D.S.C. 2004) (Floyd, J.); *accord Sensormatic Elecs. Corp. v. TAG Co. U.S. LLC*, No. 4:07-mc-181, 2008 WL 217113, at \*1–2 (D.S.C. Jan. 24, 2008) (following *Ex parte Sealed Air Corp.* to decide privilege objection to non-party subpoena seeking alleged trade secrets).<sup>6</sup>

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<sup>6</sup> The cases cited by the amicus brief of the South Carolina Association for Justice

**C. *Protections against trade secret discovery, whether provided by federal or state law, constitute a “privilege.”***

Although Plaintiff appears to assert otherwise, Dkt. No. 40 at 18–20, there is no question but that a protection against disclosure of a trade secret is a “privilege” for purposes of Rule 501. Federal courts have repeatedly referred to such protections as privileges, whether their source is federal or state law.

As the Supreme Court put it in 1979, “[t]he federal courts have long recognized a qualified *evidentiary privilege* for trade secrets and other confidential commercial information” under the Rules Enabling Act, even before the adoption of Rule 26. *Fed. Open Mkt. Comm. of Fed. Reserve Sys. v. Merrill*, 443 U.S. 340, 356 (1979) (emphasis added) (citing *E. I. du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 103 (1917)); *see also Nixon v. Warner Commc’ns, Inc.*, 435 U.S. 589, 598 (1978) (affirming exception to rule of public access for “sources of business information that might harm a litigant’s competitive standing”). And, of course, Rule 501 left this rule of privilege in place. *See Fed. R. Evid. 501*, 1974 advisory committee’s note (“Rule, 501, left the law of privileges in its present state and further provided that privileges shall continue to be developed by the courts of the United States under a uniform standard applicable both in civil and criminal cases.”); *see also Trammel v. United States*, 445 U.S. 40, 47 (1980) (reciting

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are also inapposite, Dkt. No. 49-1 at 8, for the reasons explained in Defendants’ Opposition to the motion for leave to file, Dkt. No. 54 at 4–5 & nn.3–5.

enactment history); Edward J. Imwinkler, *Draft Article V of the Federal Rules of Evidence on Privileges, One of the Most Influential Pieces of Legislation Never Enacted: The Strength of the Ingroup Loyalty of the Federal Judiciary*, 58 ALA. L. REV. 41, 44–52 (2006) (same).

Aware of this history, this Court has recognized that protection for trade secrets is among the “enumerated privileges” that were thought ““indelibly ensconced in our common law or an imperative of federalism”” at the time of the adoption of Rule 501. *See United States v. Sterling*, 724 F.3d 482, 500 (4th Cir. 2013) (quoting *United States v. Gillock*, 445 U.S. 360, 368 (1980)). Accordingly, the federal courts routinely protect trade secrets as privileged, even as they recognize that the privilege is not absolute. *See Duplan Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1185 (D.S.C. 1974) (referring to the showing required “[o]nce the *privilege* is asserted by the owner,” noting that “this standard is higher than the hurdle of *unprivileged* . . . documents,” and holding that there must be “a clear showing that the trade secret *privilege* should not be honored” (emphases added)); *accord Ex parte Sealed Air Corp.*, 220 F.R.D. at 453 (Floyd, J.).

Hartsock simply misapprehends both the state of the law in the mid-1970s and the effect of Rule 501 when he suggests that Congress’ failure to adopt an express “trade secrets” privilege in Rule 501 means that trade secrets are not among the information “privileged” by that Rule. *See* Dkt. No. 40 at 18–19.

Naturally, an asserted state law right to withhold trade secrets has also been widely held by the federal courts to involve a “claim of privilege” under Rule 501. *See* Dkt. No. 17 at 22–23 (collecting cases); *see also, e.g., Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1244 (10th Cir. 2006) (citing Rule 501 to hold that “Oklahoma law governs the analysis of whether the trade secrets privilege applies” to discovery sought to prove an Oklahoma state law claim); *Joint Stock Soc’y v. UDV N. Am., Inc.*, 104 F. Supp. 2d 390, 407 (D. Del. 2000) (applying Delaware Rule of Evidence on trade secrets in diversity case). The cases that Plaintiff cites in opposition to this conclusion neither consider whether nor hold that federal courts may ignore state standards for discovery of trade secrets in diversity cases to prefer federal procedural rules. Dkt. No. 40 at 25–27.

Although there is limited authority analyzing when and how a state law creates a “privilege” under the state law proviso of Rule 501, courts in the Fourth Circuit have taken a functional approach to defining what is a “privilege,” both before and after the adoption of Rule 501, as have its sister circuits. Thus, in 1963 the Fourth Circuit in *Krizak* treated as a “privilege” the “state established evidentiary rule[] of exclusion” created by former Virginia Code § 46.1-408. 320 F.2d at 42. That statute provided that “a report of [an] accident to the Virginia Division of Motor Vehicles ... may not be used in evidence in any trial arising out of the accident.” *Id.*; *see* Va. Code § 46.1-408 (1958) (“No such report shall be

used as evidence in any trial, civil or criminal, arising out of an accident” except to prove compliance with the reporting requirement). The *Krizak* Court repeatedly described this rule as creating a “privilege,” agreed “with the trial court that Virginia’s privilege against the use of these reports in evidence applies in a federal court,” and then analyzed “whether the state court would exclude this evidence” when applying that statute. 320 F.2d at 43–45 (concluding that the report would be excluded, as would “any mention of the existence of the report”). As explained by the D.C. Circuit a few years prior to *Krizak*, to be “privileged means that the contents are of such character that the law as a matter of public policy protects them against disclosure.” *Communist Party of U.S. v. Subversive Activities Control Bd.*, 254 F.2d 314, 321 (D.C. Cir. 1958).

Commentators and courts, including federal courts applying South Carolina law, have utilized a similar, functional definition of “privilege” for purposes of Rule 501. 23 WRIGHT & MILLER, FEDERAL PRACTICE & PROCEDURE § 5423 (1st ed.) (following MCCORMICK ON EVIDENCE §§ 72, 73 (1954), and concluding that a “privilege” is any rule “devised to foster some social policy other than the policy of accurate ascertainment of truth” that “may properly be asserted by a person who is not a party to the action.”); *accord, e.g., Farley v. Farley*, 952 F. Supp. 1232, 1238 (M.D. Tenn. 1997) (holding that Rule 501’s recognition of a state-established “privilege” “should be defined in functional terms” and following McCormick’s

formulation to conclude that certain Tennessee state statutes “establish an evidentiary privilege”); *Doe v. Am. Nat’l Red Cross*, 788 F. Supp. 884, 888 (D.S.C. 1992) (explaining that “[u]nder South Carolina law a matter is privileged if it ‘is not intended to be introduced into evidence and/or testified to in Court,’” citing *South Carolina State Highway Dep’t v. Booker*, 195 S.E.2d 615, 619 (S.C. 1973), and holding that S.C. Code Ann. § 44-29-135, which requires that certain medical information “be kept strictly confidential,” created a privilege applicable in federal court by virtue of Rule 501).

Under this functional definition of privilege, the limitations on discovery of trade secrets confer on the holder a “privilege” because the protections apply in judicial proceedings, are designed to advance certain social goods distinct from the judicial process, see *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974) (“The maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law”), and may be asserted in opposition to disclosure by non-parties to a case, see Fed. R. Civ. P. 45(d)(3)(B)(i); see, e.g., *Ex parte Sealed Air Corp.*, 220 F.R.D at 453 (Floyd, J.) (non-party’s motion to quash a subpoena on trade secret grounds); see also *Insulate Am. v. Masco Corp.*, 227 F.R.D. 427 (W.D.N.C. 2005) (non-party’s motion to quash portion of subpoena seeking confidential commercial information).

**D. The SCTSA, specifically S.C. Code Ann. § 39-8-60, confers a privilege upon trade secret holders by adopting a “substantial need” test that affords heightened protection from compelled disclosure.**

Applying this functional analysis, it is apparent that South Carolina Code § 39-8-60 creates a privilege from disclosure of trade secrets in judicial proceedings. South Carolina Code § 39-8-20(5) defines the trade secrets subject to protection and Code § 39-8-60(B), entitled “Preservation of secrecy during discovery proceedings of civil actions; substantial need defined,” provides that when “discovery is sought” in “any civil action” of “information designated by its holder as a trade secret,” the court cannot order disclosure unless “there is a substantial need by the party seeking discovery” of the purported trade secret. This “substantial need” is defined to require a conclusion that

- (1) the allegations in the initial pleading setting forth the factual predicate for or against liability have been plead with particularity;
- (2) the information sought is directly relevant to the allegations plead with particularity in the initial pleading;
- (3) the information is such that the proponent of the discovery will be substantially prejudiced if not permitted access to the information; and
- (4) a good faith basis exists for the belief that testimony based on or evidence deriving from the trade secret information will be admissible at trial.

S.C. Code Ann. § 39-8-60(B)(1)–(4). A number of additional protections appear in that section to prevent wider dissemination if production is ordered. *See id.*, § 39-8-60(A), (D)–(J).

Although Hartsock is correct that the SCTSA does not expressly label its limitations on discovery of trade secrets a “privilege,” *see* Dkt. No. 40 at 20, Hartsock is wrong to suggest that the SCTSA does not clearly evince “a legislative declaration of a policy” *in favor of* “privileges from testifying or producing evidence” that constitutes a trade secret, *id.* Moreover, South Carolina law refers to trade secret protections generally as a “privilege” on par with the attorney-client privilege. *See In re Anonymous Member of S.C. Bar*, 552 S.E.2d 10, 16 n.8 (S.C. 2001).

As explained by the Supreme Court of South Carolina in *Laffitte*, the SCTSA “provide[s] for reasonable restrictions on the discovery of trade secrets” applicable to “‘any civil action’ where trade secrets are sought during discovery” that “complements” the protections recognized by the South Carolina rules. 674 S.E.2d at 161–62; *see BBA Nonwovens Simpsonville, Inc. v. Superior Nonwovens, LLC*, 303 F.3d 1332, 1339 (Fed. Cir. 2002) (explaining that “[t]he 1997 enactment of the SCTSA sought to expand trade secret protection . . . .”); *see also* WEBSTER’S NINTH NEW COLLEGIATE DICTIONARY 269 (1991) (providing the first definition of “complement” as “something that fills up, completes, or makes perfect”).

The SCTSA empowers a trade secret holder to resist, and requires the courts to deny, discovery of trade secrets for which there is no “substantial need,” even

where a protective order is in place.<sup>7</sup> See S.C. Code Ann. § 39-8-60(B) (requiring that “before ordering discovery a court shall first determine whether there is a substantial need by the party seeking discovery for the information.”). This restriction on discovery was enacted by the South Carolina General Assembly to obtain a social good derived from maintaining the secrecy of commercially valuable trade secrets. *BBA Nonwovens Simpsonville, Inc.*, 303 F.3d at 1339 (noting that SCTSA trade secret protections were adopted “to implement other pro-business changes to the statute to make the state more attractive to businesses in the manufacturing and technology areas”). It clearly may be asserted by any person who is the “holder” of “information,” whether a party or not. In sum, the SCTSA does not merely create a right or duty of confidentiality, but an explicit right to withhold defined information from the judicial process. See, e.g., *Doe*, 788 F. Supp. at 888 (explaining that “[u]nder South Carolina law a matter is privileged if it is not intended to be introduced into evidence and/or testified to in Court” and construing S.C. Code Ann. § 44-29-135 to create a privilege applicable in federal court).

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<sup>7</sup> Contra Plaintiff, GDTNA’s argument in *Blundon*, Dkt. No. 40 at 30–31—that prospective disclosure of tire design specifications (like those disclosed subject to confidentiality in this case) should proceed subject to an agreed confidentiality order, see *Blundon v. Goodyear Dunlop Tires N. Am., Ltd.*, No. 1:11-cv-00990, Dkt. No. 25-24 at 3 (W.D.N.Y. June 7, 2012)—provides no support for the conclusion that Defendants should disclose different, vital trade secrets in this case where there is also a protective order, but no showing of necessity.

Hartsock obstinately maintains that the SCTSA does not apply to products liability actions without mentioning the binding determination in *Laffitte* that it does. Dkt. No. 40 at 16–17. *Laffitte* conclusively established that S.C. Code Ann. § 39-8-60(B) applies to trade secret discovery in “any civil action,” expressly rejecting the authority cited by Plaintiff. 672 S.E.2d at 161 n.9; see *Stahle v. CTS Corp.*, 817 F.3d 96 (4th Cir. 2016) (“It is axiomatic that in determining state law a federal court must look first and foremost to the law of the state’s highest court, giving appropriate effect to all its implications.” (quotation marks omitted)). Hartsock’s idiosyncratic interpretation of S.C. Code Ann. § 39-8-110(C) to preclude the SCTSA’s application impermissibly ignores this binding authority.

Hartsock also ventures that the SCTSA does not create a trade secret privilege applicable in federal court because the protection is not absolute, Dkt. No. 40 at 19–20; the word “privilege” is not used in the SCTSA to reference the protections created by subsection (B) of S.C. Code Ann. § 39-8-60, Dkt. No. 40 at 20; and the protections are not contained in a state code of evidence or otherwise denominated a privileged as is done in some states, Dkt. No. 40 at 20–21, 23–25. Plaintiff, however, cites no case or other authority indicating that these distinctions make any difference nor does he offer any reason why they should.

Information need not be absolutely immune from discovery to be deemed subject to a claim of privilege,<sup>8</sup> nor are labels determinative of the character of a state law, as illustrated by this Court's decision in *Krizak*. A state statutory label applied to evidentiary limits is a poor guide to application of Rule 501 because "the state characterization is likely to be haphazard, difficult to determine, and generally not responsive to those considerations that led Congress to conclude that state privilege law should be applied." 23 WRIGHT & MILLER, FEDERAL PRACTICE & PROCEDURE § 5423 (1st ed.).

That South Carolina has not generally codified its rules of privilege in a code of evidence is of no moment here, as the trade secret privilege at issue *has been codified*, something that was done almost twenty years ago. S.C. Code Ann. §§ 39-8-10 to -130 (codifying 1997 S.C. Acts c. 38, § 1 (May 21, 1997)); *see* S.C. R. Evid. 501. But in any case, federal courts in South Carolina generally follow Rule 501 to apply uncodified South Carolina privilege law in cases in which South

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<sup>8</sup> Many privileges besides the trade secret privilege are qualified, and involve a "balancing" of competing interests. *See, e.g., Sterling*, 724 F.3d at 496–97 (describing *LaRouche v. Nat'l Broad. Co.*, 780 F.2d 1134, 1139 (4th Cir. 1986), as recognizing a "qualified reporter's privilege"); *United States v. Smith*, 780 F.2d 1102, 1107 (4th Cir. 1985) (holding that the informant's "privilege is a qualified one", and explaining that "[t]he trial court is required to balance the public interest in nondisclosure against the defendant's right to prepare a defense." (quoting *Roviaro v. United States*, 353 U.S. 353, 360–61 (1957))); *Bethune-Hill v. Virginia State Bd. of Elections*, 114 F. Supp. 3d 323, 336 (E.D. Va. 2015) ("[T]he state legislative privilege is a qualified one . . ."); *FDIC v. Hatziyannis*, 180 F.R.D. 292, 293 (D. Md. 1998) (Deliberative process "privilege is a qualified one and courts apply a balancing test . . .").

Carolina law provides the rule of decision. *See, e.g., Smyth v. Williamson*, No. 2:13-cv-2553-DCN, 2014 WL 1912062, at \*4 n.2 (D.S.C. May 12, 2014); *First S. Bank v. Fifth Third Bank, N.A.*, C.A. No. 7:10-2097-MGL, 2013 WL 1840089, at \*3 (D.S.C. May 1, 2013); *see also, e.g., Smith v. Scottsdale Ins. Co.*, 621 F. App'x 743, 745 (4th Cir. 2015) (applying West Virginia's uncodified law of privilege, citing Rule of Evidence 501 and West Virginia common law).

**III. The SCTSA and *Laffitte* Plainly Adopt a Standard for Compelling Disclosure of a Trade Secret Different Than That Employed Below, and Hartsock Has Failed To Make the Showing of Strict Necessity Required.**

Surprisingly, Hartsock argues that in enacting the “most comprehensive compilation of trade secret laws in the United States,”<sup>9</sup> with the “clear motive” of providing unique protections for information that is “vital to a company’s livelihood and competitive edge in the marketplace” and with the intention to advance “the state’s efforts to attract relocating businesses, especially in the manufacturing and technology fields,”<sup>10</sup> the South Carolina General Assembly failed to change anything. Dkt. No. 40 at 15–16 (asserting that the state and federal “tests are equivalent”). Even one of Hartsock’s amicus disagrees. *See* Dkt. No. 49-1 at i (noting that the SCTSA “provides a different test” and “a more

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<sup>9</sup> Kirk T. Bradley, *Employees Beware: Employer Rights Under the South Carolina Trade Secrets Act*, 49 S.C. L. REV. 597, 597–98 (1998).

<sup>10</sup> Mark V. Thigpen, *A New Age of Discovery: Your Trade Secrets Are Safe in South Carolina*, 49 S.C. L. REV. 615, 616–17, 620 (1998); *accord BBA Nonwovens Simpsonville, Inc.*, 303 F.3d at 1339.

restrictive test” than federal law). Despite South Carolina being the only state to revise section five of the Uniform Trade Secrets Act to “command[] that courts take specific measures and make detailed findings before allowing discovery of information that one party to a judicial proceeding claims is a trade secret,”<sup>11</sup> Hartsock would have this Court read these statutory protections, as construed by *Laffitte*, as being strictly identical to federal common law because, “[l]ike the *Coca-Cola Bottling Co.* standard, *Laffitte* adopted a ‘balancing test’ . . . .” Dkt. No. 40 at 15.

Plaintiff’s argument is a tacit concession that he failed to meet the *Laffitte* standard because he needs it to be deemed identical to the *Coca-Cola* standard. See Dkt. No. 17 at 32–34.

***A. Following the SCTSA, Laffitte adopted a greater showing of relevance and necessity than provided by the Coca-Cola standard.***

Under *Laffitte*, “the requirement that the trade secret information must be ‘relevant,’” means it “*must be relevant not only to the general subject matter of the litigation*, but also relevant specifically to the issues involved in the litigation.” 674 S.E.2d at 163 (emphasis added). The subject matter standard is all that must be met to satisfy *Coca-Cola* and was all that was required by the District Court below. See *Coca-Cola Bottling Co. of Shreveport v. Coca-Cola Co.*, 107 F.R.D. 288, 293 (D. Del. 1985) (“When disclosure of trade secrets is sought during

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<sup>11</sup> Thigpen, *supra* note 10 at 618–20.

discovery, ... the movant must satisfy ... the broad relevance standard applicable to pre-trial discovery, i.e., the movant must show that the material sought is relevant to the subject matter of the lawsuit.”); JA 563.

Similarly, *Laffitte* revised the showing required “[f]or the trade secret information to be deemed necessary”: “the party seeking the information cannot merely assert unfairness but must demonstrate with specificity exactly how the lack of the information will impair the presentation of the case on the merits”; must also show that “suitable substitutes [are] completely lacking”; and, finally, must demonstrate that “the issues cannot be fairly adjudicated unless the information is available.” 674 S.E.2d at 163 (quotation marks omitted). *Coca-Cola*, and the district court below, required only that “[t]he information must be necessary for the movant to prepare its case for trial, which includes proving its theories and rebutting its opponent’s theories.” 107 F.R.D. at 293; JA 563–64.

*Laffitte*’s application of this standard confirms an understanding that protections for trade secrets are far more demanding in South Carolina law than under the federal standard, *see* 674 S.E.2d at 163–65, as does *Laffitte*’s affirmative adoption of the reasoning of decisions construing evidentiary privileges for trade secrets in other states. *See id.* at 162–66 (repeatedly citing and applying the reasoning of *Bridgestone Am. Holding, Inc. v. Mayberry*, 878 N.E.2d 189 (Ind. 2007) (construing and applying Ind. Code § 24-2-3-2), *In re Bridgestone/*

*Firestone, Inc.*, 106 S.W.3d 730, 731–33 n.3 (Tex. 2003) (construing and applying Tex. R. Evid. 507), and *Bridgestone/Firestone, Inc. v. Superior Ct.*, 9 Cal. Rptr. 2d 709 (Cal. Ct. App. 1992) (construing and applying Cal. Evid. Code § 1060)).<sup>12</sup>

**B. *Hartsock failed to show that discovery of the Trade Secrets was “relevant” and “necessary” as defined in Laffitte.***

As explained in Defendants’ Opening Brief, Dkt. No. 17 at 6–11, 32–34 & n.13, Hartsock did not show the requisite “substantial need” because he failed to offer evidence explaining “with specificity exactly how the lack of the information will impair the presentation of the case on the merits,” failed to make any “particularized showing” that discovery of the Trade Secrets were “essential to a fair resolution of the lawsuit,” and failed to demonstrate that “suitable substitutes” or “reasonable alternatives” to the trade secrets were “completely lacking.”<sup>13</sup>

*Laffitte*, 674 S.E.2d at 163 (quotation marks omitted).

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<sup>12</sup> The SCTSA also does not require that the holder of the information opposing discovery first prove that the information is in fact a trade secret. See S.C. Code § 39-9-60(A) (requiring that a court “shall preserve the secrecy of an alleged trade secret” (emphasis added)), (B) (requiring “substantial need” showing “[i]n any civil action where discovery is sought of information *designated by its holder as a trade secret*” (emphasis added)).

<sup>13</sup> The amicus brief filed by TSI attempts to improve upon the record below by interjecting evidence taken from other parties, other tires, and other cases, see Dkt. No. 47 at 26–28; Exs. 2–7, but this is plainly improper on appeal, see *Eldred*, 239 F.3d at 378; see also *Goldfarb v. Mayor & City Council of Balt., Md.*, 791 F.3d 500, 511 (4th Cir. 2015) (“[J]udicial notice must not be used as an expedient for courts to consider matters beyond the pleadings and thereby upset the procedural rights of litigants to present evidence on disputed matters.” (quotation marks omitted)). In any event, orders in other cases, involving other parties, are

None of the expert testimony cited by Plaintiff, Dkt. No. 40 at 5, 28, “elaborate[d] on why it was ‘absolutely necessary’ that [the expert] know the [Trade Secrets] in order to render [an] expert opinion in the matter,” *Laffitte*, 674 S.E.2d at 163, or “explained how the occurrence of a tread belt separation should result in the automatic conclusion that the belt separation was related to the initial physical properties of the tire requiring disclosure of the” Butyl Content, much less of the Global Design Manual, *id.*; *see* Dkt. No. 17 at 10–11 (collecting citations to the limited nature of the evidence offered by Plaintiff). Plaintiff merely argued, without proffering evidence, that the Butyl Content may “explain[] in whole or in part the reasons for the tire’s failure,” and never offered any evidence, only speculation, about the Global Design Manual.<sup>14</sup> Dkt. No. 40 at 3–4 (citing JA 80–82, Plaintiff’s Motion to Compel, and JA 370–73, Plaintiff’s Memorandum in Opposition to the Protective Order) at 5–6 (speculating that “the inner liner design specifications at the Buffalo plant *likely* do not comply with the *potentially* more stringent specifications set forth in Goodyear’s Global Design Manual . . . .

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irrelevant under the SCTSA. S.C. Code § 39-8-60(B) (“In any civil action where discovery is sought of information designated by its holder as a trade secret, before ordering discovery a court shall first determine whether there is a substantial need *by the party seeking discovery* for the information.” (emphasis added)).

<sup>14</sup> The Global Design Manual “is not limited to specific components or tire products but would provide information concerning all aspects of the development of tires manufactured by” the Defendants, including “information regarding [Defendants’] compound formulas, and [their] core design methodology and philosophy.” JA 516 at ¶ 6.

Appellee *expects* that the G[lobal] D[esign] M[anual] specified a thicker liner . . . .” (emphases added)), at 28–29 (citing nothing). Thus, Plaintiff has “failed to provide a sufficiently complete argument as to why the [Trade Secrets are either relevant or] necessary to their analyses of this case.” *Laffitte*, 674 S.E.2d at 164.

Hartsock has been provided the design specifications and drawings, including Global Master Specifications, actually used in designing, manufacturing and inspecting not only the tire involved in the accident but also the other nine tires in the line. *See* JA 203, 206, 263–64, 271, 1008–1029, 1227–29. He has been provided numerous depositions, including those of the designer of the Subject Tire and of GDTNA’s corporate representative regarding the design and manufacture of the Subject Tire.<sup>15</sup> Thus, without disclosure of the Trade Secrets, he knows the design and manufacturing thicknesses of the inner liner component for both the Subject Tire and Tire in Question,<sup>16</sup> believes, and will offer expert opinion to the effect that the inner liner was the cause of the Tire in Question’s failure, and that the inner liner of both the Subject Tire and Tire in Question are too thin. Dkt. No. 40 at 5. Furthermore, Hartsock’s expert has opined that the inner liner of the Tire

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<sup>15</sup> As before, the “Subject Tire” refers to the tire model at issue, internally designated as G670RV size 295/80R22.5, which was designed, marketed and sold by GTRC for use on recreational vehicles and was manufactured by GDTNA, now SRU, in Tonawanda, New York. JA 84.

<sup>16</sup> The Tire in Question refers to the tire that became disabled at the time of the accident, and was purchased by James E. and Linda Rodrigues of Melbourne, Florida, and installed by them on the recreational vehicle involved in the accident. JA 265–66.

in Question was “thinner than that permitted by the design specifications,” *id.*; JA 200–01, 203–04, 1031–32, 1045–79, 1213–14, 1227–30, 1234–37, and that the Subject Tire was therefore defectively designed and the Tire in Question defectively manufactured, *see* Dkt. No. 17 at 33. Although Defendants contest all of these opinions, the Trade Secrets are not necessary for deciding this dispute within the meaning of the SCTSA. Given the Subject Tire’s designer’s testimony regarding the design of the Subject Tire’s inner liner and the Global Design Manual, JA 204, 1004:3–1005:12, it simply defies reality to suppose that the Global Design Manual is either relevant or necessary to Plaintiff’s case.

With respect to the Butyl Content, Plaintiff’s expert on design defect and manufacturing defect has offered an alternative design without knowing the percentage of butyl in the inner liner, JA 1186:22–1187:8, 1188:13, and has conceded that knowledge of the Butyl Content would not change his existing theories of defect, Dkt. No. 17 at 33–34; JA 1197:12–1198:14. Plaintiff’s generalized assertions that these opinions have suffered an “adverse impact,” have been “hampered,” or are subject to limitations because of his expert’s not knowing the Butyl Content, Dkt. No. 40 at 28, are simply not enough.

Furthermore, as in *Laffitte*, Hartsock has not responded to the affirmative evidence establishing that disclosure of the Trade Secrets is not necessary to evaluate the causes of tire failure or to develop an alternative design. *See* Dkt. No.

17 at 6–7, 9. Nor has Hartsock shown that “physical testing” of the Subject Tire or the “information about development, design review, and testing of tires manufactured with the same specifications as the tire in this case” that were already provided to Plaintiff, *see* Dkt. No. 17 at 33 n.15, are not “suitable substitute[s],” *Laffitte*, 674 S.E.2d at 165. In sum, Plaintiff has only opined that “it would be useful to have knowledge of the original recipe and whatever manufacturing deviations were made from that recipe,” thereby failing to show that “discovery of [this] trade secret information is necessary, not [merely] useful.” *Id.* at 164 (quotation marks omitted); *cf.* JA 698, 910; Dkt. No. 40 at 7.

All of which brings us to the issue of remedy. Where the “district court has applied an ‘incorrect legal standard’” and this standard “‘may ... have influenced its ultimate conclusion,’” “[r]eversal is required.” *Tatum v. RJR Pension Inv. Comm.*, 761 F.3d 346, 368 (4th Cir. 2014) (alterations omitted) (quoting *Harris v. Forklift Sys., Inc.*, 510 U.S. 17, 23 (1993), which found that “application of ... incorrect standards may well have influenced its ultimate conclusion, especially given that the [district] court found this to be a ‘close case’”). It cannot be reasonably disputed that application of federal common law “may have influenced the ultimate conclusion” here, particularly in light of the District Court’s 1292(b) certification of the Disclosure Order. JA 634. On this record, reversal and final judgment, or at least remand for application of South Carolina law, must follow.

## CONCLUSION

For all of the foregoing reasons, the Court should reverse the Disclosure Order and either remand for further proceedings in accord with the South Carolina Trade Secrets Act and controlling South Carolina precedent or itself deny the Motion to Compel and grant to Defendants protection from disclosure of the Trade Secrets.

Respectfully Submitted,

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**CERTIFICATE OF COMPLIANCE**

I hereby certify that the foregoing REPLY BRIEF OF APPELLANTS complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B)(ii), as it contains 6,982 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii), and also complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6), as it has been prepared in Microsoft Word 2010, using Times New Roman, 14 point font.

DATED: June 1, 2016

s/  
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**CERTIFICATE OF SERVICE**

I hereby certify that on June 1, 2016, the foregoing REPLY BRIEF OF APPELLANTS was served on all counsel of record via the CM/ECF system.

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