4/5/16 29

No. 16-1172

United States Court of Appeals for the Fourth Circuit

THEODORE G. HARTSOCK, JR. as Personal Representative of the Estate of Sarah Mills Hartsock,

Plaintiff-Appellee,

v.

GOODYEAR DUNLOP TIRES NORTH AMERICA LTD., a foreign corporation; and 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

BRIEF OF AMICUS CURIAE RUBBER MANUFACTURERS ASSOCIATION

In Support of Defendants-Appellants' Appeal Seeking Reversal

Debora B. Alsup
State Bar No. 02006200
THOMPSON & KNIGHT LLP
98 San Jacinto Blvd., Suite 1900
Austin, Texas 78701-4238
512-469-6114
512-482-5028 Facsimile

COUNSEL FOR AMICUS CURIAE RUBBER MANUFACTURERS ASSOCIATION

No. 16-1172

United States Court of Appeals for the Fourth Circuit

THEODORE G. HARTSOCK, JR. as Personal Representative of the Estate of Sarah Mills Hartsock,

Plaintiff-Appellee,

v.

GOODYEAR DUNLOP TIRES NORTH AMERICA LTD., a foreign corporation; and 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

BRIEF OF AMICUS CURIAE RUBBER MANUFACTURERS ASSOCIATION

In Support of Defendants-Appellants' Appeal Seeking Reversal

Debora B. Alsup
State Bar No. 02006200
THOMPSON & KNIGHT LLP
98 San Jacinto Blvd., Suite 1900
Austin, Texas 78701-4238
512-469-6114
512-482-5028 Facsimile

COUNSEL FOR AMICUS CURIAE RUBBER MANUFACTURERS ASSOCIATION

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases

Rules, Regulations, Codes

Additional Authorities

STATEMENT OF IDENTITY, INTEREST, AND AUTHORITY TO FILE

The Rubber Manufacturers Association ("RMA"), pursuant to Federal Rule of Appellate Procedure 29, submits this *Amicus Curiae* brief in support of Goodyear Dunlop Tires North America Ltd.[1] and The Goodyear Tire & Rubber Company's Brief on the Merits.

The RMA is the primary trade association representing the interests of the tire and rubber industry in the United States. The RMA's membership includes all of the country's major tire manufacturers. The Goodyear Tire & Rubber Company is a member of the RMA. The RMA's tire company members employ over 100,000 people throughout the United States, with manufacturing facilities in 14 states, including 32 manufacturing plants, as well as distribution centers and thousands of wholesale/retail outlets in South Carolina alone, where the underlying case is pending.

In 2015, the RMA members' domestic manufacturing plants produced approximately 167 million passenger, light truck, and commercial truck tires. Annual tire sales in North America currently approximate 25 billion. The tire industry is a critical supplier to the nation's motor vehicle industry, which includes not only automobiles, but also trucks, buses, industrial, agricultural and military vehicles.

[1] Goodyear Dunlop Tires North America Ltd. is now known as Sumitomo Rubber USA, LLC.

The RMA is vitally interested in this case because it addresses the issue of what standard governs trade secret protections in federal court. This question is of great importance to trade secret protections in general, and to tire manufacturers in particular, whose competitive products are used in South Carolina and throughout the nation.

STATEMENT REGARDING PARTICIPATION

The RMA will pay all costs associated with the preparation and filing of this Amicus Brief. No person other than the amicus curiae contributed money that was intended to fund preparing or submitting the brief. This brief was authored by the RMA and the undersigned counsel. No counsel for any party authored this brief in whole or in part; no party or counsel for any party made a monetary contribution intended to fund the preparation or submission of this brief.

ARGUMENT

I. Sound Public Policy Supports Protecting Trade Secrets in the Highly Competitive Tire Manufacturing Industry.

The need for applying a clear, unmistakable, and stringent standard for the discovery of trade secrets—such as the standard found in South Carolina law—is underscored by the real and disruptive danger that unwarranted disclosure presents, ultimately to the harm of consumers. The RMA urges this Court to clarify that the South Carolina Trade Secrets Act, S.C. Code § 39-8-10 through 39-8-130, and controlling South Carolina Supreme Court precedent in *Laffitte v. Bridgestone Corp.*, 674 S.E.2d 154 (S.C. 2009),[2] are the legal standards that govern protection of trade secrets, and not federal case law.

A. Protection of trade secrets is necessary as they are often the most valuable—and vulnerable—form of property.

It is well recognized that the protection of trade secrets is a necessary component of commerce, and trade secret information has been protected since the Roman Empire. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. a., reporter's note (Am. Law Inst. 1995). As one observer has noted:

> In this information age, the trade secrets of any business are both its strength and its vulnerability. Key strategic plans, product specifications, and interested customer information allow a company to distinguish itself from competitors and pursue windows of opportunity in the marketplace.

[2] The RMA appeared as amicus curiae before the South Caroline Supreme Court in *Laffitte*.

THE TRADE SECRET HANDBOOK (Michael J. Lockerby, ed., American Bar Association 2000).

Trade secrets are often the most valuable, and vulnerable, form of property. Trade secret disclosures or theft can easily cause millions of dollars in losses in just a few minutes time. For example, Xiang Dong Yu, a product engineer, copied 4,000 Ford Motor Company documents onto an external hard drive before his last day with the company in 2006 and brought them with him to his new job at the Chinese competitor Beijing Automotive Company. These losses were quantified at over $50 million by Ford. *See* Matthew Dolan, *Ex-Ford Engineer Pleads Guilty in Trade-Secrets Case*, THE WALL STREET JOURNAL (Nov. 17, 2010).[3] And Ford is not alone. Goodyear was also a victim of trade secret theft when two engineers from Wyko Tire Technology took unauthorized pictures while servicing equipment at a Goodyear plant. They used the photographs to assist them in building a device that Wyko had agreed to sell to a Chinese tire manufacturer. The cost of the theft to Goodyear was estimated at between $300,000 and $20 million. *See United States v. Howley*, 707 F.3d 575, 577-79, 582 (6th Cir. 2013).

In fact, the threat to trade secret and proprietary information has never been more apparent. In 2013, U.S. Attorney General Eric Holder stated: "there are only 'two categories' of companies affected by trade secret theft—those that know

[3] *Available at* http://www.wsj.com/articles/SB10001424052748704648604575621111922168030.

they've been compromised and those that don't know yet." Remarks at the Administration Trade Secret Strategy Rollout (Feb. 20, 2013).[4] In a recent analysis, the Center for Responsible Enterprise and Trade and Price Waterhouse Cooper estimated the value of U.S. trade secret loss at 1% to 3% of the gross domestic product annually, equating to $160 billion to $480 billion a year in a $16 trillion economy, roughly the size of the U.S. economy at that time. ECONOMIC IMPACT OF TRADE SECRET THEFT (2014).[5] Moreover, trade secret theft continues to grow. A federal government report in 2014 showed that the FBI has experienced a 39% increase in new trade secret theft cases since 2009. *See* U.S. Intellectual Property Enforcement Coordinator, JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT, at 43 (2013).[6] Consequently, stringent protection of trade secrets has become essential to guard against unwarranted disclosure and theft.

B. The highly competitive tire manufacturing industry is especially susceptible to improper trade secret disclosure or theft.

Trade secrets, such as the chemical compound ingredients in the manufacturing formula and the tire design manual at issue here, are vital to both the tire manufacturing industry and to manufacturers as a whole. No manufacturer can allow its competitors access to its highly proprietary formulas or designs. In

---

[4] *Available at* http://www.justice.gov/iso/opa/ag/speeches/2013/ag-speech-1302201.html.
[5] *Available at* https://www.pwc.com/us/en/forensic-services/publications/assets/economic-impact.pdf.
[6] *Available at* https://www.whitehouse.gov/sites/default/files/omb/IPEC/2013-us-ipec-joint-strategic-plan.pdf.

the low-profit-margin tire industry particularly, the harm that would result from disclosure of the tire company's trade secrets is more than a mere possibility in today's market with the increase in tires imported from foreign countries. A 2014 customs report showed that over 121 million car and truck tires, at a value exceeding $6.5 billion, were imported into the United States in 2009 alone. *See* U.S. Customs and Border Protection, WHAT EVERY MEMBER OF THE TRADE COMMUNITY SHOULD KNOW ABOUT: TIRES (2014).[7] Given the rise in imports, coupled with the loss of domestic manufacturing capacities, access to trade-secret information could provide a boost to a foreign tire manufacturer seeking to increase its market share in the United States.

The RMA's tire manufacturer members know that the tire business is extremely competitive, and competitors are always seeking to gain any advantage they can, whether it is shorter lead time for the introduction of new products, or an understanding of the competition's thinking, goals, and strategy. The potential for irreparable harm resulting from disclosure to a competitor is particularly acute in the current market.

Indeed, any industry whose product designs and constructions evolve over time is particularly vulnerable to the misappropriation or misuse of trade secret information. Tire manufacturing methods have certainly evolved over time. The

[7] *Available at* https://www.cbp.gov/sites/default/files/documents/Classification-of-Tires-ICP-April-2014_0.pdf.

concept of the pneumatic tire (i.e., a tire made of reinforced rubber and filled with compressed air) dates back to the mid-1800s.[8] Since that time, the manufacturing and design process has changed significantly, with manufacturers adopting new materials and technology as the research supports new advances. Tire development is an evolutionary process, building on prior knowledge, designs, concepts, and compounds. The intimate details of this process remain invaluable even if a newer design or compound may be used today. Earlier designs or formulas reflect a company's particular approach, successes, and even failures. Disclosure of these designs or formulas would allow a competitor to bypass that phase of the evolution with a resulting savings in research and development costs and competitive advantage.

The application of the wrong legal standard for disclosure of trade secrets, as applied here by the district court and magistrate judge, creates a precedent that presents a significant threat to the intellectual property rights of RMA's members. The RMA urges this Court to conclude that South Carolina law is the proper legal standard for protection of trade secrets.

---

[8] Charles Goodyear received a U.S. patent for the process of rubber vulcanization in 1844. *The Old Times Tire Guide*, Bennett Garfield Publications (1998).

C. Protective orders are insufficient to protect the value of trade secret information after disclosure to opposing counsels and their experts.

At the hearing below, the magistrate judge suggested that a protective order could allay any worries about unauthorized disclosure of trade secrets. JA 668-669. But this is not so. A protective order is insufficient to adequately protect the trade secrets of tire manufacturers because, as a federal district court has recognized, "[t]here is a constant danger inherent in disclosure of confidential information pursuant to a protective order." *Litton Indus., Inc. v. Chesapeake & Ohio Ry. Co.*, 129 F.R.D. 528, 531 (E.D. Wis. 1990) (holding that confidential information could not be produced to opponent's experts).

The risk in allowing confidential information to be disclosed is that "there may be no sanction sufficient to protect" the owner of the trade secrets: "If a trial court orders the discovery of trade secrets and such are disclosed, the party resisting discovery will have no adequate remedy on appeal. The proverbial bell cannot be unrung . . . ." *Ex Parte Miltope Corp.*, 823 So. 2d 640, 644-45 (Ala. 2001) (citing *Gibson-Myers & Assocs. v. Pearce*, No. 19358, 1999 Ohio App. LEXIS 5010, *6-7 (Ohio Ct. App. Oct. 27, 1999)). In *In re Remington Arms Co.*, the Eighth Circuit recognized that a protective order cannot adequately protect a trade secret because once the secret is disclosed, there is no remedy to undo the damage. 952 F.2d 1029, 1033 (8th Cir. 1991) ("Such an after-the-fact remedy is

largely ineffectual in a trade secrets case, however, for once the information is wrongly released, the trade secret is lost forever and no sanction imposed on the violator can retrieve it.") Therefore, the Eighth Circuit denied the discovery of the trade secret information even though a protective order was in place. *Id.*

A protective order cannot guard against the potential for inadvertent—or even intentional—disclosure by an expert or counsel in later matters. Courts have recognized the problem of "inevitable disclosure." *See, e.g., Pepsico, Inc. v. Redmond*, 54 F.3d. 1262 (7th Cir. 1995); *Merck & Co. v. Lyon*, 941 F.Supp. 1443 (M.D. N.C. 1996). This is true because it is often impossible for a person who knows a trade secret to separate that knowledge from other non-privileged information. Inadvertent disclosure is particularly problematic in the age of *Daubert* where proposed expert testimony is carefully scrutinized for a reliable foundation and methodology. The District Court for the Eastern District of Wisconsin described how easily inadvertent disclosure may occur:

> [O]nce an expert has digested this confidential information, it is unlikely that the expert will forget. . . . Even with stern sanctions for unauthorized disclosure, how does one practically police a protective order? If the expert is called upon two years after this litigation to assist a potential competitor in structuring its business, will he really be able to compartmentalize all he or she has learned and not use any of the information . . . ?

Litton Indus., Inc., 129 F.R.D. at 531. As a result, experts may rely on trade secret information obtained in one case to support their expert opinion in another case or to market themselves in future cases. This risk is real, not imagined.

Tire manufacturers have experienced not only the effects of inadvertent disclosures, but also intentional disclosures by opposing lawyers and experts. In *Nevil v. Ford Motor Co.*, tire expert Dennis Carlson—the same tire expert as in this case—was found in contempt for violating a protective order and disclosing confidential documents produced by another tire manufacturer. No. CV 294-015, 1999 WL 1338625, *4-5 (S.D. Ga. Dec. 23, 1999). And in *Trenado v. Cooper Tire & Rubber Co.*, a lawyer was sanctioned for violating a protective order in disseminating a tire company's trade secrets to other lawyers. No. H-08-0249, 2011 WL 79525, at *2 and n.2 (S.D. Tex. Jan. 6, 2011) (noting that the lawyer had agreed "that his law firm would serve as a 'clearing house for the accumulated information . . . and to make that information available to contributing attorneys.'") *affirmed by Smith & Fuller, P.A. v. Cooper Tire & Rubber Co.*, 685 F.3d 486, 491 (5th Cir. 2012). Similarly, in *McDonald v. Cooper Tire & Rubber Co.*, one of the lawyers was sanctioned for violating a non-sharing protective order. No. 06-10244, 2006 U.S. App. LEXIS 16537, *4-5 (11th Cir. June 28, 2006).

There appears to be a deliberate nationwide effort to obtain trade secrets, particularly in the tire industry. One attorney, for example, has boasted that he was

the first to obtain access to Firestone's trade secret skim stock formula in discovery.[9] *See* Vol. 17, No. 51, at 12, *Texas Lawyer* (Feb. 25, 2002). And some attorneys market themselves as "national tire lawyers," advertising their knowledge of tire manufacturer procedures and documents and using website domains like "www.tirefailures.com."[10] Tire attorneys and tire experts should not be allowed to obtain trade secrets for improper purposes, including their own marketing efforts, particularly in light of the significant economic harm that such unwarranted disclosure causes. For these reasons, a protective order or confidentiality agreement, without a clear, unmistakable, and stringent standard for the disclosure of trade secrets cannot adequately protect manufacturers from the harm of disclosure.

II. Tire Compound Formulas and Design Manuals are Considered Trade Secret and Protected from Disclosure in Courts Across the Country.

To put the trade secret at issue in context concerning the halobutyl content of the inner liner, a brief description of the way tires are manufactured may be helpful. Most modern automotive tires are assembled in stages as a laminate structure, and then placed in a mold and vulcanized. A tire that has been assembled, but not yet vulcanized, is referred to as a "green tire." Vulcanization

---

[9] The disclosure of Firestone's skim stock was later denied by the Texas Supreme Court in *In re Bridgestone/Firestone, Inc.*, 106 S.W.3d 730 (Tex. 2003).

[10] Websites, such as www.tirefailures.com, advertise the volume of information accumulated by plaintiff's attorneys who specialize in suing tire manufacturers.

involves placing the green tire in a curing press or mold, where heat and pressure are applied for a specified time. This process causes various chemical changes in the rubber compounds, and forms bonds between the tire's various components, thereby increasing the rubber's strength, resilience, and durability. The tire's rubber compounds contain various chemicals or ingredients, such as accelerators, curatives, and aromatic oils, to assist in the curing process. These highly reactive chemicals are depleted or changed in the process, and cannot be identified in the finished or cured tires. *See In re Bridgestone Firestone*, 106 S.W.3d 730, 731 (Tex. 2003) ("Because skim stock is chemically altered by vulcanization, its components cannot be determined from the finished tire."); *see also, e.g.,* THE VANDERBILT RUBBER HANDBOOK, R.T. Vanderbilt Company, Inc. 13th Ed. (Norwalk, CT 1990), at 508-511, 596-599.

Thus, once a tire is cured, the precise chemical formula cannot be reverse engineered. *See* JA 244. If this were not the case, every tire would use only one set of formulas derived through analysis and reverse engineering of competitive products. Tire companies would not have to engage in their own research and development. All tire manufacturers therefore zealously guard the fruit of their research and development, including the chemical composition of their rubber formulas.

A. Tire compound formulas and tire design manuals are unquestionably confidential, proprietary, and competitively sensitive information.

Appellants Goodyear Dunlop Tires North America Ltd. and The Goodyear Tire & Rubber Company (collectively, "Appellants") spend millions of dollars each year on the research and development of their tire designs and in developing, evaluating, producing, and testing new rubber compounds for their products. JA 246, 517. And since the tire business is highly competitive, Appellants take important steps to protect their research and development and to ensure that their confidential, proprietary, and competitively sensitive information remains strictly confidential. JA 244, 516-17.

The discovery requests in this case strike at the heart of highly competitive trade-secret information. The specific ingredients of the rubber compounds and the design of Appellants' tires are unquestionably confidential, proprietary, and competitively sensitive information. Appellants' competitors could use this information to copy all or part of Appellants' rubber formulas and tire designs, thus giving them an unfair and unearned competitive advantage. Maintaining the secrecy of such information is key to Appellants' ability to remain competitive. More importantly, guarding the privacy of this kind of information ensures that the tire industry as a whole can remain competitive.

Put plainly, Appellants would be severely harmed if this information were disclosed. All RMA members face the same risk from similar discovery requests in other lawsuits to which they are parties.

B. Courts across the country have protected tire compound formulas and tire design manuals.

Discovery requests for the chemical composition of a manufacturing formula and tire design information are not novel or unique. In fact, state and federal courts across the country have repeatedly rejected similar requests for such information and protected them as trade secrets. Just this year, a Texas court of appeals found that a trial court abused its discretion in ordering Michelin to produce its tire specification manual used in its quality control procedures (internally called "aspect specifications"), finding that aspect specifications were covered by the trade secret privilege. *In re Michelin N. Am., Inc.*, No. 05-15-01480-CV, 2016 WL 890970, at *6 (Tex. App.—Dallas Mar. 9, 2016, no pet. h.)(mem. op.). Last year, a federal district court found that Kumho Tire "may redact from any responsive documents prior to production information that would disclose its skim stock compounds or skim stock formulas" because the formulas met the definition of trade secret under Kansas law. *McKellips v. Kumho Tire Co.*, 305 F.R.D. 655, 664 (D. Kan. 2015).

A host of other trial and appellate decisions have protected the trade secret nature of skim stock formulas and design documents, with decisions from Indiana, Nebraska, New Mexico, New York, Pennsylvania, South Carolina, and Texas:

- A federal district court found that Kumho Tire established the trade secret status of its formula for skim stock rubber under Nebraska law and that plaintiffs are not entitled to discover such information. *Hajek v. Kumho Tire Co., Inc.*, 4:08CV3157, 2010 WL 503044, at *10 (D. Neb. Feb. 8, 2010), *objections overruled*, 2010 WL 1292447 (D. Neb. Mar. 30, 2010).

- A Texas appellate court found that the trial court abused its discretion by compelling Cooper Tire to produce documents, including experimental mold designs, in camera, as such designs are protected trade secret. *In re Cooper Tire & Rubber Co.*, 313 S.W.3d 910, 919 (Tex. App.—Houston [14th Dist.] 2010, orig. proc.).

- An appellate court found that tire design information, including tire specifications, are protected trade secrets. The trial court erred in ordering Goodyear to produce them because plaintiff did not carry the burden to show trade secrets were necessary for a fair adjudication of the case. *In re Goodyear Tire & Rubber Co.*, 392 S.W.3d 687, 697-95 (Tex. App.—Dallas 2010, orig. proc.).

- The South Carolina Supreme Court found that Bridgestone's skim stock formula is a protected trade secret that is not necessary in order to litigate the case. *Laffitte v. Bridgestone Corp.*, 674 S.E.2d 154, 165 (S.C. 2009).

- The Indiana Supreme Court found that disclosure of Bridgestone's skim stock formula was inappropriate because it is a protected trade secret. *Bridgestone Americas Holding, Inc. v. Mayberry*, 878 N.E.2d 189, 197 (Ind. 2007).

- A federal district court found that Goodyear's rubber compound formulas are trade secrets and protected them from disclosure.

Gonzales v. Goodyear Tire & Rubber Co., No. CIV 05-941 BB/LFG, 2006 WL 7290047, at *16 (D.N.M. Aug. 10, 2006).

- The Superior Court of Pennsylvania found that the trial court erred in ordering disclosure of skim stock formulas because they were protected trade secrets and the harm to the manufacturer outweighed any possible necessity for disclosure. *Crum v. Bridgestone/Firestone N. Am. Tire*, LLC, 907 A.2d 578, 588-89 (Pa. Super. Ct. 2006).

- A New York Supreme Court found that plaintiffs were not entitled to discovery of Continental Tire's skim stock formulas and manufacturing plant procedures because they are protected trade secrets. *Sagiv v. Cont'l Tire N. Am. Inc.*, No. 48051/03, 2005 N.Y. Misc. LEXIS 3215 (N.Y. Sup. Ct., Jan. 20, 2005).

- Relying on *In re Continental General Tire*, 979 S.W.2d 609 (Tex. 1998), the Texas Supreme Court found that the trial court erred in ordering disclosure of Firestone's trade secret skim stock formulas because plaintiffs did not adequately show that access to the skim stock formulas was necessary for a fair adjudication of their claims. *In re Bridgestone Firestone*, 106 S.W.3d 730 (Tex. 2003).

- The Texas Supreme Court adopted a heightened burden for disclosure of trade secrets in Texas and found that Continental Tire's skim stock formula was privileged from discovery as it is trade secret. Plaintiffs failed to meet the heightened burden and production of skim stock was therefore unwarranted. *In re Continental General Tire*, 979 S.W.2d 609, 615 (Tex. 1998).

Thus, courts in other jurisdictions dealing with similar trade secret issues have consistently denied discovery of trade secret formulas and tire designs. These decisions demonstrate the judicial recognition that: (a) skim stock formulas are highly sensitive and protected trade secrets; (b) tire design information is also a highly sensitive and protected trade secret; and (c) this information is not necessary for a fair adjudication of the case.

III. The District Court Ruling is Out of Step with South Carolina Trade Secret Protections and the Heightened Burden for Discovery of Trade Secrets Adopted by Multiple States.

In South Carolina, there is a heightened burden for discovery of trade secrets and the requesting party must meet the strict and statutorily-based "substantial need" test. *See* S.C. Code Ann. § 39-8-60(B). South Carolina is not alone in embracing a heightened burden for discovery of trade secrets. Even without a strict statutory scheme, multiple states have adopted a stringent burden of proof for the requesting party, recognizing the great importance of protecting valuable trade secrets and the harm that occurs when they are disclosed. The ruling below is clearly contrary to both South Carolina's "substantial need" test and the heightened standard of proof adopted by multiple states.

A. South Carolina has a unique statutory scheme imposing stringent requirements before disclosure of trade secrets is permitted.

South Carolina has one of the most detailed trade secret statutes in the country. *See* S.C. Code Ann. § 39-8-10, *et seq*. In fact, most states do not even have a trade secret statute, instead relying upon case law interpreting rules of procedure or evidence. Under the South Carolina Trade Secrets Act, "[i]n 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." *See* S.C.

Code Ann. § 39-8-60(B) (emphasis added). There are four requirements to prove "substantial need":

> (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).

In a similar case to the one at hand, the South Carolina Supreme Court interpreted this statute and applied it to protect trade secret skim stock formula from disclosure in a tire product liability case. *See Laffitte v. Bridgestone Corp.*, 674 S.E.2d at 156-57. The *Laffitte* Court set forth rigorous standards for demonstrating the relevance and necessity of trade secrets.

1. In determining whether trade secret information is relevant, the broad relevancy standard applicable to general discovery matters is not to be used, and, instead, a determination must be made that the information is not only relevant to the general subject matter of the litigation, "but also relevant specifically to the issues involved in the litigation." *Id.* at 163.

2. "For the trade secret information to be deemed 'necessary,' we hold that the party seeking the information 'cannot merely assert unfairness but must demonstrate with specificity exactly how the lack of information will impair the presentation of the case on the merits to the point that an unjust result is a real, rather than a merely possible,

threat.'" *Id.* (*quoting In re Bridgestone/Firestone, Inc.*, 106 S.W.3d at 733).

3. A "court must require the discovery of a trade secret only when 'the issues cannot be fairly adjudicated unless the information is available.'" *Id.*

The District of South Carolina failed to apply this statutorily required standard.

B. Even without a unique statutory scheme, multiple states have imposed standards similar to South Carolina's.

South Carolina is not alone in recognizing the policy reasons for providing strong protections for trade secrets. For example, in Texas, there is a "heightened burden for obtaining trade secret information." *In re Cont'l Gen. Tire, Inc.*, 979 S.W.2d 609, 613-14 (Tex. 1998). Disclosure is required only if the requesting party shows by competent evidence that trade secrets are necessary for a fair adjudication of that party's claims or defenses. *Id.* at 612. The Texas Supreme Court further clarified the burden of proof in *In re Bridgestone/Firestone* by requiring the requesting party to provide evidence and "demonstrate with specificity" the necessity of the trade secret information sought. 106 S.W.3d 730, 732-33 (Tex. 2003). In both *In re Continental*, 979 S.W.2d at 615, and *In re Bridgestone/Firestone*, 106 S.W.3d at 734, the Texas Supreme Court found that plaintiffs had not met their burden and that discovery of the skim stock formula was improperly ordered.

Indiana has similar requirements. In a products liability case involving disclosure of a tire manufacturer's trade secret rubber formula, the Indiana Supreme Court applied a three-factor test: (1) is the information a trade secret; (2) is it necessary to the requesting party's case; and (3) does the "balance of interests" favor production. *Bridgestone Americas Holding, Inc.*, 878 N.E.2d at 1994-96. These requirements are not simply perfunctory. Although the first factor is met with a prima facie showing, the second factor requires the requesting party to show that "suitable substitutes" for the information are "completely lacking." *Id.* Moreover, necessity means "that without discovery of the particular trade secret, the discovering party would be unable to present its case 'to the point that an unjust result is a real, rather than a merely possible, threat.'" *Id.* at 96 (*quoting In re Bridgestone/Firestone, Inc.*, 106 S.W.3d at 733). The court found that discovery of the trade secret formula was inappropriately ordered. *Id.* at 197.

Finally, Alabama has embraced the reasoning behind both the Indiana and Texas decisions on trade secret protection. In *Ex parte Michelin North America, Inc.*, 161 So. 3d 164 (Ala. 2014), the Alabama Supreme Court found that after a party asserts trade-secret privilege and makes an initial showing that the information constitutes a trade secret, the requesting party must show that the information is both necessary and relevant to the litigation. *Id.* at 170-71. Quoting both *Bridgestone Americas Holding, Inc. v. Mayberry*, 878 N.E.2d at 196, and *In*

re Bridgestone/Firestone, Inc., 106 S.W.3d at 733, the Alabama Supreme Court held that showing "necessity" means showing that "the discovering party would be unable to present its case 'to the point that an unjust result is a real, rather than a merely possible, threat.'" *Ex parte Michelin N. Am., Inc.*, 161 So. 3d at 173. The court found that the requesting parties failed to meet this burden and the trade secrets were protected from discovery. *Id.* at 182.

These decisions suggest that strong policy reasons favor protecting the trade secrets at issue here. Further, the requesting party's heightened burden to demonstrate the 'necessity for a fair adjudication of the case' is essential. With South Carolina's unique statutory scheme, the standard is even more stringent.

CONCLUSION

For all these reasons, this Court should find that South Carolina law, as definitively interpreted in *Laffitte v. Bridgestone Corp.*, 674 S.E.2d 154 (S.C. 2009), establishes the proper legal standard that requesting parties must meet before discovery of trade secrets is permitted in the District of South Carolina. Accordingly, the RMA respectfully requests that this Court reverse the district court's Disclosure Order and either remand the case for further proceedings in accordance with the South Carolina Trade Secrets Act and controlling South Carolina precedent or deny the Motion to Compel and grant to Appellants protection from disclosure of the requested trade secrets.

Respectfully submitted,

THOMPSON & KNIGHT LLP

By: /s/ *Debora B. Alsup*
Debora B. Alsup
Texas Bar No. 02006200

98 San Jacinto Boulevard, Suite 1900
Austin, Texas 78701-4238
(512) 469-6114
(512) 482-5028 Facsimile

ATTORNEY FOR AMICUS CURIAE RUBBER MANUFACTURERS ASSOCIATION

CERTIFICATE OF COMPLIANCE WITH RULE 28.1(E) OR 32(A)

This brief complies with the type-volume limitation of Fed. R. App. P. 28.1(e)(2) or 32(a)(7)(B) because this brief contains 4,898 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii). This brief 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) because this brief has been prepared in a proportionally spaced typeface using Microsoft 2010 in 14-point in Times New Roman typeface.

April 5, 2016
Date

/s/ *Debora B. Alsup*
Debora B. Alsup
Attorney for Amicus Curiae
Rubber Manufacturers Association

CERTIFICATE OF SERVICE

I certify that on the 5th day of April, 2016, the foregoing Amicus Brief was served on all parties or their counsel of record through the CM/ECF system.

April 5, 2016
Date

/s/ Debora B. Alsup
Debora B. Alsup

503335 000012 16924403 1