
The State of South Carolina
In the Supreme Court

 ORIGINAL

ON CERTIFICATION FROM AN APPEAL IN THE
UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

RECEIVED

Appellate Case No. 2016-002398

MAY 05 2017

S.C. SUPREME COURT

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

Plaintiff – Respondent,

v.

**GOODYEAR DUNLOP TIRES NORTH AMERICA LTD, a foreign
corporation; and THE GOODYEAR TIRE & RUBBER COMPANY,
a foreign corporation,**

Defendants – Appellants.

FINAL BRIEF OF RESPONDENT

Mark C. Tanenbaum
Mia Lauren Maness
MARK C. TANENBAUM, P.A.
1017 Chuck Dawley Boulevard, Suite 101
Mt. Pleasant, South Carolina 29464
(843) 577-5100

Attorneys for Respondent

The State of South Carolina

In the Supreme Court

ORIGINAL

ON CERTIFICATION FROM AN APPEAL IN THE
UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

RECEIVED

Appellate Case No. 2016-002398

MAY 05 2017

S.C. SUPREME COURT

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

Plaintiff - Respondent,

v.

GOODYEAR DUNLOP TIRES NORTH AMERICA LTD, a foreign
corporation; and **THE GOODYEAR TIRE & RUBBER COMPANY,**
a foreign corporation,

Defendants - Appellants.

FINAL BRIEF OF RESPONDENT

Mark C. Tanenbaum

Mia Lauren Maness

MARK C. TANENBAUM, P.A.

1017 Chuck Dawley Boulevard, Suite 101

Mt. Pleasant, South Carolina 29464

(843) 577-5100

Attorneys for Respondent

TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
QUESTION PRESENTED FOR REVIEW.....	1
STATEMENT OF THE CASE	1
ARGUMENT	3
I. South Carolina does recognize a statutory trade secret, but not a trade secret privilege	5
A. The South Carolina Trade Secrets Act does not create a privilege	5
B. <u>Laffitte</u> was decided based on the express language of the SCTSA and Rule 26(c), SCRCP, rather than Rule 501, SCRE.....	17
II. South Carolina does not recognize a common law evidentiary privilege for trade secrets, as conceded by Appellants	21
CONCLUSION.....	22
CERTIFICATE OF SERVICE.....	23

TABLE OF AUTHORITIES

	Page(s)
CASES	
<u>Blackmer v. United States</u> , 284 U.S. 421 (1932).....	11
<u>Branzburg v. Hayes</u> , 408 U.S. 665 (1972).....	11
<u>Carolina Chemical Equip. Co. v. Muckenfuss</u> , 322 S.C. 289, 471 S.E.2d 721 (Ct.App. 1996)	21
<u>Coca-Cola Bottling Co. of Shreveport, Inc. v. Coca-Cola Co.</u> , 107 F.R.D. 288 (D. Del. 1985).....	2, 3, 19, 20
<u>Laffitte v. Bridgestone Corp.</u> , 381 S.C. 460, 674 S.E.2d 154 (2009)	<u>passim</u>
<u>Machin v. Carus Corp.</u> , Op. No. 27714 (S.C.Sup.Ct. filed April 26, 2017).....	8
<u>McCormick v. England</u> , 328 S.C. 627, 494 S.E.2d 431 (1997)	12, 13, 14
<u>Rivers v. Rivers</u> , 292 S.C. 21, 354 S.E.2d 784 (Ct. App. 1987)	14
<u>S.C. State Board of Medical Examiners v. Hedgepath</u> , 325 S.C. 166, 480 S.E.2d 724 (1997)	13, 16
<u>Smith v. Tiffany</u> , Op. No. 27715 (S.C.Sup.Ct. filed April 26, 2017).....	6
<u>Snavely v. AMISUB of South Carolina, Inc.</u> , 379 S.C. 386, 665 S.E.2d 222 (Ct. App. 2008)	14
<u>State v. Baucom</u> , 340 S.C. 339, 531 S.E.2d 922 (2000)	8
<u>State v. Bernotas</u> , 277 S.C. 106, 283 S.E.2d 580 (1981)	22

State v. Chandler,
126 S.C. 149, 119 S.E. 774 (1923) 13, 22

State v. Doster,
276 S.C. 647, 284 S.E.2d 218 (1981) 14

State v. Good,
308 S.C. 313, 417 S.E.2d 643 (Ct. App. 1992) 11

United States v. Bryan,
339 U.S. 323 (1950)..... 11

United States v. Nixon,
418 U.S. 683 (1974)..... 11

Widenhouse v. Colson,
405 S.C. 55, 747 S.E.2d 188 (2013)8

Wolf v. Colonial Life & Accident Ins. Co.,
309 S.C. 100, 420 S.E.2d 217 (Ct. App. 1992)21

STATUTES

12 Okl. St. § 2508 9

Cal. Evid. Code § 1060 10

Fla. Stat. § 90.506 9

K.S.A. § 60-432 9

La. C.E. Art. 513 9

N.J.S.A. 2A:84A-26..... 9

Nev. Rev. Stat. Ann. § 49.325 9

R.R.S. Neb. § 27-508..... 9

S.C. Code Ann. § 19-11-30..... 12, 14

S.C. Code Ann. § 19-11-80..... 12

S.C. Code Ann. § 19-11-90..... 12, 14

S.C. Code Ann. § 19-11-95..... 12

S.C. Code Ann. § 19-11-95(A)(3)	15
S.C. Code Ann. § 19-11-100.....	12
S.C. Code Ann. § 24-21-290.....	12
S.C. Code Ann. § 39-8-1 to -9	6
S.C. Code Ann. §§ 39-8-10 to -130	5
S.C. Code Ann. § 39-8-20(5)	5
S.C. Code Ann. § 39-8-30(C).....	6
S.C. Code Ann. § 39-8-40.....	6
S.C. Code Ann. § 39-8-50.....	6
S.C. Code Ann. § 39-8-60.....	<u>passim</u>
S.C. Code Ann. § 39-8-60(B).....	18
S.C. Code Ann. § 39-8-60(C).....	6
S.C. Code Ann. § 39-8-60(E).....	20
S.C. Code Ann. § 39-8-90.....	6
S.C. Code Ann. § 40-75-190(B).....	12
S.D. Codified Laws § 19-19-507	9
Wis. Stat. § 905.08	9-10
 RULES	
A.R.E. 507	9
Ala. R. Evid. Rule 507	9
Alaska R. Evid. 508	9
D.R.E. 507	9
Fed. R. Civ. P. 26(c)	2, 4, 18

Fed. R. Civ. P. 26(c)(1)(G).....	20
Fed. R. Evid. 501	3
HRS chap. 626, HRS Rule 508.....	9
Me. R. Evid. 507	9
N.D.R. Ev. Rule 507.....	9
N.H. Evid. Rule 507	9
N.M. R. Evid. 11-508.....	10
SCACR 511	15
SCRCP 26	20
SCRCP 26(c).....	<u>passim</u>
SCRCP 26(c)(7).....	20
SCRE 501.....	16, 17, 18
Tex. Evid. R. 507	8, 9
OTHER AUTHORITIES	
1992 S.C. Acts 437	6, 7
1997 S.C. Acts 38.....	7
81 Am. Jur. 2d Witnesses § 141 (1976).....	11
Alan B. Vickery, Note, <u>Breach of Confidence: An Emerging Tort</u> , 82 Colum. L. Rev. 1426 (1982).....	14

QUESTION PRESENTED FOR REVIEW

Does South Carolina recognize an evidentiary privilege for trade secrets?

STATEMENT OF THE CASE

This is a products liability survival and wrongful death action arising from a fatal crash on Interstate 26 in Calhoun County, South Carolina caused by the tread and belt separation and blowout of a defective tire designed, manufactured, and marketed by Goodyear Dunlop Tires North America, LTD and Goodyear Tire & Rubber Company (“Appellants”). The tire at issue in the litigation is a Goodyear G670RV 295/80R22.5, load range H, manufactured in Buffalo, New York (“the subject tire”). The subject tire was mounted in the left front steer position of a recreational vehicle (“RV”) when it experienced a tread and belt separation and blowout, causing the RV driver to lose control of the vehicle. The RV was traveling eastbound, but crossed through the median, crashed through the cable barrier, and struck Sarah Mills Hartsock’s westbound vehicle head-on. The crash occurred on July 6, 2010. Mrs. Hartsock died at the scene. On February 15, 2013, Theodore G. Hartsock, as Personal Representative of the Estate of Sarah Mills Hartsock, filed suit in United States District Court, District of South Carolina against Appellants alleging manufacturing, warning, and design defects under causes of action for negligence, strict liability, and breach of express and implied warranties.

Respondent’s case centers on the fact that the inner liner of the subject tire was too thin, from both a design and manufacturing perspective, allowing highly pressurized inflation air to pass from the air chamber of the tire into the structure and steel belt package, forcing the layers apart and causing separations. The composition of the inner

liner is relevant to how it performed its primary function - to keep highly pressurized inflation air in the air chamber, and performance is directly related to whether the inner liner is composed of 10% butyl rubber, 100% butyl rubber, or some percentage in between. The composition of the inner liner also may be a stand-alone defect for which Appellants are liable. The butyl rubber content of the inner liner must conform to industry standards and whether it does cannot be determined without knowing the inner liner formula and what percentage of butyl rubber comprises the inner liner.

During the discovery phase of the litigation, the parties filed various motions regarding the production of certain trade secret information relevant to Respondent's theory of the case. Among other things, Respondent sought production of the butyl content of the tire's inner liner and the section of Appellant's Global Design Manual that specifies appropriate dimensions and materials for tire inner liners. Following extensive briefings and arguments, the District Court ordered Appellants to produce the butyl content of the inner liner and the section of the Global Design Manual. Production is subject to the restrictions of an existing strict confidentiality order.

The order for production originally issued from Magistrate Judge Mary Gordon Baker, who undertook an analysis of the production issue under Rule 26(c), Fed. R. Civ. P., employing the balancing test set forth in Coca-Cola Bottling of Shreveport, Inc. v. Coca-Cola Co., 107 F.R.D. 288 (D. Del. 1985). She concluded,

Given all that Plaintiff has presented, it is difficult to imagine what more Plaintiff should be required to present in order to establish relevance and necessity. In the opinion of the undersigned, Plaintiff has met his burden. As noted above, if relevance and necessity are established, then the Court "must balance the need for the information against the injury that would ensue if disclosure is ordered." In re Pechiney, 220 F.R.D. at 452. In assessing injury, the "relevant injury . . . is not the injury that would be caused by public disclosure, but the injury that would result from

disclosure under an appropriate protective order.” Coca-Cola Bottling of Shreveport, 107 F.R.D. at 293.

(DE 137, p 6). Magistrate Judge Baker’s Order was adopted as its own by United States District Judge P. Michael Duffy. Appellants filed objections to the District Court Order but those objections were overruled. Appellants sought reconsideration of the District Court’s Order overruling their objections. Although the District Court declined reconsideration, it granted Appellants’ request for certification of the Order for discretionary interlocutory review by the United States Court of Appeals for the Fourth Circuit. Following Appellants’ petition for discretionary review, the Fourth Circuit accepted appellate jurisdiction. Briefing was completed and the matter was heard October 27, 2016. On November 29, 2016, the Fourth Circuit issued its order certifying to this Court the question of whether South Carolina recognizes an evidentiary privilege for trade secrets.

ARGUMENT

This case presents the purely legal question of whether South Carolina recognizes a substantive law evidentiary trade secret privilege or whether South Carolina’s protections for trade secrets are properly analyzed under the rules of civil procedure.

The question certified to, and accepted by, this Court is concise and precisely crafted to the language of Fed. R. Evid. 501.¹ It does not require restatement or explanation. Despite this, Appellants purport to restate the question and repeatedly discuss “a right to withhold information” as if a right to withhold information during the

¹ The answer to the certified question will determine the law under which the federal court will analyze the issue of the production of trade secrets in this diversity case -- federal procedural law or South Carolina substantive law. Fed. R. Evid. 501.

discovery process automatically equates to an evidentiary privilege. (Appellants Brief, pp 7, 10, 13-15). However, there is no authority in South Carolina or elsewhere that supports Appellants' circuitous logic that, if a party is permitted to withhold certain information, then the party has automatically been granted a "privilege."

Rather, there are some instances where the courts or legislative bodies have recognized true evidentiary privileges to protect from disclosure highly sensitive information such as attorney-client communications or priest-penitent communications. Those true privileges are usually codified in the rules of evidence or in statutes. In other instances, otherwise discoverable information is protected by the rules of civil procedure, which provide increased protection for highly sensitive or commercially valuable information. Trade secrets are the best example of such non-privileged based protection, and, except in those states that recognize a trade secret privilege, the production of trade secrets is governed by procedural rules such as Rule 26(c), Fed. R. Civ. P, and Rule 26(c), SCRPC which provide increased protection for commercially valuable property while still meeting the significant needs of litigants who require access to confidential information to prove their claims. In both federal and South Carolina courts, those procedural rules afford Appellants protection for their commercially valuable materials but do not create a new substantive right analogous to the attorney-client privilege, the spousal privilege, and other generally accepted privileges. Despite Appellants' conflation of the concept of protection from disclosure with the creation of an evidentiary privilege, there is no such thing as a trade secret privilege in South Carolina.

I. South Carolina does recognize a statutory trade secret, but not a trade secret privilege.

Neither the South Carolina statutes nor the common law has ever recognized a trade secret privilege.

A. The South Carolina Trade Secrets Act does not create a privilege.

The South Carolina Trade Secrets Act (SCTSA), S.C. Code Ann. §§ 39-8-10 to - 130 (LexisNexis, LEXIS through Ch. 7, 8 and 9 of the 2017 session), does not create a trade secrets privilege. The statutory definition of “trade secret” makes the distinction clear, the word “privilege” appears only once in the statute and that appearance is not within the definition of “trade secret”:

(5) “Trade secret” means:

(a) information including, but not limited to, a formula, pattern, compilation, program, device, method, technique, product, system, or process, design, prototype, procedure, or code that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by the public or any other person who can obtain economic value from its disclosure or use, and

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) A trade secret may consist of a simple fact, item, or procedure, or a series or sequence of items or procedures which, although individually could be perceived as relatively minor or simple, collectively can make a substantial difference in the efficiency of a process or the production of a product, or may be the basis of a marketing or commercial strategy. The collective effect of the items and procedures must be considered in any analysis of whether a trade secret exists and not the general knowledge of each individual item or procedure.

S.C. Code Ann. § 39-8-20(5). Instead “privilege” appears in the section entitled

“Preservation of secrecy during discovery proceedings of civil actions; substantial need defined”:

(C) Direct access to computer databases containing trade secret information, so-called “real time” discovery, shall not be ordered by the

court unless the court finds that the proponent of the discovery cannot obtain this information by any other means and provided that the information sought is not subject to any **privilege**.

S.C. Code Ann. § 39-8-60(C) (emphasis added). A clear distinction is drawn in this subsection between trade secrets and privileged information, and there can be no doubt as to the Legislature's intent. Smith v. Tiffany, Op. No. 27715, at 5 (S.C. Sup. Ct. filed April 26, 2017) (“[W]e are unwilling to accept Appellants’ invitation to look outside the text of the Act to justify the assumption that the legislature’s use of differing terms...was not deliberate or that those words mean anything other than what they say.”). “Trade secret information” is separate and distinct from that information which may be sought provided it is not available by other means and “is not subject to any privilege.”

The core purpose of the SCTSA is codification of a civil action for “misappropriation, wrongful disclosure, or wrongful use” of a trade secret, S.C. Code Ann. § 39-8-30(C), and establishment of remedies and penalties for misappropriation. S.C. Code Ann. § 39-8-40 (Recovery of actual damages; exemplary damages.); S.C. Code Ann. § 39-8-50 (Injunctions against actual or threatened misappropriations.); S.C. Code Ann. § 39-8-90 (Persons guilty of stealing trade secrets; criminal penalties.). When the South Carolina Legislature enacted the Uniform Trade Secrets Act (UTSA) in 1992, formerly S.C. Code Ann. § 39-8-1 to -9, it included the “prefatory notes and comments of the National Conference of Commissioners on Uniform State Laws” for the purpose of “facilitat[ing] an understanding of the provisions of the act and the reasons for its provisions.” 1992 S.C. Acts 437. Section 1, Commissioners’ Prefatory Note, specifies:

Notwithstanding the commercial importance of state trade secret law to interstate business, this law has not developed satisfactorily. In the first

place, its development is uneven. Although there typically are a substantial number of reported decisions in states that are commercial centers, this is not the case in less populous and more agricultural jurisdictions. Secondly, even in states in which there has been significant litigation, there is undue uncertainty concerning the parameters of trade secret protection, and the appropriate remedies for misappropriation of a trade secret. One commentator observed:

“Under technological and economic pressures, industry continues to rely on trade secret protection despite the doubtful and confused status of both common law and statutory remedies. Clear, uniform trade secret protection is urgently needed.”

Id. Further information concerning the intent of UTSA is found in Section 1, Comment:

The contribution of the Uniform Act is substitution of unitary definitions of trade secret and trade secret misappropriation, and a single statute of limitations for the various property, quasi-contractual, and violation of fiduciary relationship theories of noncontractual liability utilized at common law. The Uniform Act also codifies the results of the better reasoned cases concerning the remedies for trade secret Misappropriation.

Id. When the Legislature amended the UTSA in 1997 it did not provide additional insight into the reasons for the amendments, stating only,

AN ACT TO AMEND CHAPTER 8, TITLE 39, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE “UNIFORM TRADE SECRETS ACT”, SO AS TO, AMONG OTHER THINGS, CHANGE THE NAME AND SCOPE OF THE CHAPTER TO THE “SOUTH CAROLINA TRADE SECRETS ACT”, CHANGE THE DEFINITION OF VARIOUS TERMS, ADD NEW DEFINITIONS, AND ADD CERTAIN PROVISIONS OF LAW.

1997 S.C. Acts 38. Neither the explanation of the changes nor the changes themselves suggest that the intent behind adoption of the UTSA was vitiated by the amendments and name change included in the SCTSA.

The SCTSA added a provision for maintaining the secrecy of trade secrets during litigation. S.C. Code Ann. § 39-8-60. However, preservation of secrecy during litigation does not equate to establishment of an evidentiary privilege against disclosure for trade

secrets. Rather, S.C. Code Ann. § 39-8-60 provides for the confidentiality of trade secrets during the litigation process, but nothing more. The plain language of the statute brooks no other interpretation. State v. Baucom, 340 S.C. 339, 341, 531 S.E.2d 922, 923 (2000) (the “cardinal rule of statutory construction is to ascertain and effectuate the legislative intent whenever possible....’All rules of statutory construction are subservient to the one that the legislative intent must prevail if it can be reasonably discovered in the language used, and that language must be construed in the light of the intended purpose of the statute.”); Laffitte v. Bridgestone Corp., 381 S.C. 460, 674 S.E.2d 154 (2009) (interpreting the plain language of S.C. Code Ann. § 39-8-60 as applicable to all civil actions in South Carolina). Our court answers questions of statutory construction based on its discernment of legislative intent and leaves declarations of public policy to the General Assembly. Machin v. Carus Corp., Op. No. 27714, at 17-18 (S.C.Sup.Ct. filed April 26, 2017), citing Widenhouse v. Colson, 405 S.C. 55, 747 S.E.2d 188 (2013) There is nothing in the UTSA or the SCTSA to suggest that the intent of the Legislature was to create a trade secret privilege.

Where a trade secret privilege exists in other states, it exists by virtue of specific and unequivocal language enacted by those states’ legislatures. For example, Texas has enacted a rule of evidence specifically declaring a trade secret privilege:

Rule 507 Trade Secrets Privilege

(a) General Rule. --**A person has a privilege to refuse to disclose and to prevent other persons from disclosing a trade secret owned by the person**, unless the court finds that nondisclosure will tend to conceal fraud or otherwise work injustice.

(b) Who May Claim. --**The privilege may be claimed by the person who owns the trade secret or the person’s agent or employee.**

(c) Protective Measure. --If a court orders a person to disclose a trade secret, it must take any protective measure required by the interests of the privilege holder and the parties and to further justice.

Tex. Evid. R. 507 (LexisNexis, LEXIS through April 4, 2017) (emphasis added).

Seventeen other states have created actual privileges using similar language. Ala. R.

Evid. Rule 507 (LexisNexis, LEXIS through March 27, 2017); Alaska R. Evid. 508

(LexisNexis, LEXIS through April 5, 2017); A.R.E. 507 (LEXIS through March 23, 2017);

D.R.E. 507 (LexisNexis, LEXIS through April 5, 2017); Fla. Stat. § 90.506 (LexisNexis,

LEXIS through April 18, 2017); HRS chap. 626, HRS Rule 508 (LexisNexis, LEXIS

through Act 1 of the 2017 Session); K.S.A. § 60-432 (LexisNexis, LEXIS through April

18, 2017); La. C.E. Art. 513 (LexisNexis, LEXIS through 2017 First Extraordinary

Session Legislation); Me. R. Evid. 507 (LEXIS through November 1, 2016); R.R.S. Neb.

§ 27-508 (LexisNexis, LEXIS through 2017 105th First Session); Nev. Rev. Stat. Ann.

§ 49.325 (LexisNexis, LEXIS through Chapter 9 of the Seventy-Ninth Regular Session

(2017)); N.H. Evid. Rule 507 (LexisNexis, LEXIS through April 17, 2017); N.J.S.A.

2A:84A-26 (LexisNexis, LEXIS through New Jersey 217th Second Annual Session);

N.D.R. Ev. Rule 507 (LexisNexis, LEXIS through March 20, 2017); 12 Okl. St. § 2508

(LEXIS through Chapter 46 (SB 595) of the First Regular Session of the 56th

Legislature (2017)); S.D. Codified Laws § 19-19-507 (LexisNexis, LEXIS²); Wis. Stat.

² [T]hrough SB7, SB8, SB11, SB12, SB13, SB14, SB16, SB21, SB22, SB23, SB25, SB26, SB28, SB29, SB30, SB31, SB32, SB34, SB35, SB37, SB38, SB39, SB40, SB41, SB42, SB43, SB44, SB45, SB46, SB47, SB48, SB52, SB59, SB60, SB61, SB62, SB63, SB64, SB65, SB66, SB69, SB70, SB71, SB73, SB74, SB75, SB78, SB77, SB79, SB 81, SB83, SB86, SB88, SB90, SB95, SB98, SB99, SB103, SB109, SB113, SB120, SB123, SB124, SB130, SB141, SB146, SB171, SB178, SB179, HB1005, HB1008, HB1009, HB1010, HB1012, HB1013, HB1016, HB1017, HB1018, HB1030, HB1036, HB1037, HB1039, HB1041, HB1042, HB1044, HB1046, HB1050, HB1053, HB1055, HB1056, HB1057, HB1059, HB1061, HB1063, HB1065, HB1066, HB1070, HB1071,

§ 905.08 (LEXIS through Acts 1-3 and 5-6 of the 2017 Legislative Session). California also has enacted an evidentiary privilege but employs unique language:

§ 1060. **Privilege to protect trade secret**

If he or his agent or employee claims the privilege, **the owner of a trade secret has a privilege to refuse to disclose the secret**, and to prevent another from disclosing it, if the allowance of the privilege will not tend to conceal fraud or otherwise work injustice.

Cal. Evid. Code § 1060 (LexisNexis, LEXIS through Chapter 4 of the 2017 Regular Session) (emphasis added). Likewise, New Mexico also employs unique language in its trade secret privilege. N.M. R. Evid. 11-508 (LexisNexis, LEXIS current with all changes received through February 8, 2017, including the latest effective January 1, 2017).

Regardless of the specific language employed, common to all of these enactments is the clear statement of legislative intent to afford an evidentiary privilege for trade secrets. In the parlance of the Appellants, in those states with a codified trade secret privilege, the owner of the trade secret may withhold information unless a court orders disclosure in the interests of justice. South Carolina has granted neither such a privilege nor a right to withhold information. Instead, South Carolina employs a balancing test under Rule 26(c), SCRPC, to weigh the competing needs of businesses against the needs of litigants for information necessary to prove their cases.

HB1080, HB1081, HB1081, HB1087, HB1088, HB1088, HB1095, HB1098, HB1101, HB1103, HB1110, HB1112, HB1113, HB1117, HB1118, HB1122, HB1124, HB1127, HB1136, HB1143, HB1159, HB1161, HB1173, HB1174, HB1184, HB1185, HB1205, HB1206, HB1207, HB1208, HB1209, HB1210 from the 2017 Regular Session of the 92nd Legislative Assembly, Supreme Court Rule 17-06, and the November 8, 2016 General Election.

Moreover, South Carolina specifically disfavors the creation of a privilege by implication. As explained in State v. Good, 308 S.C. 313, 417 S.E.2d 643 (Ct. App. 1992), our Legislature has declared a policy against the creation of privileges from testifying or producing evidence by implication. Id. *citing* 81 Am. Jur. 2d Witnesses § 141, at 182 (1976) (as “exceptions to the demand for every man’s evidence,” privileges “are not lightly created nor expansively construed, for they are in derogation of the search for truth.”). It is an ancient proposition of law “that ‘the public . . . has a right to every man’s evidence,’ except for those persons protected by a constitutional, common-law, or statutory privilege. . . .” United States v. Nixon, 418 U.S. 683, 709 (1974), *quoting* Branzburg v. Hayes, 408 U.S. 665, 688 (1972), *citing* United States v. Bryan, 339 U.S. 323, 331 (1950) and Blackmer v. United States, 284 U.S. 421, 438 (1932). “Whatever their origins, these exceptions to the demand for every man’s evidence are not lightly created nor expansively construed, for they are in derogation of the search for truth.” Id. at 710. Had South Carolina’s Legislature intended to create a trade secret privilege, it could have, using clear and explicit language, when it first adopted a form of the Uniform Trade Secrets Act in 1992 or when it replaced the 1992 statute with the SCTSA in 1997. It did not. Without explicit language establishing a privilege, this Court should not create such a privilege by implication or judicial fiat.

The South Carolina Legislature has intentionally and unequivocally created statutory privileges of varying degrees and, when it has done so, it has done so

explicitly. Some privileges are absolute.³ Others are qualified.⁴ The Legislature did not create either form of privilege for trade secrets in the SCTSA.

The issue here is analogous to the question presented in McCormick v. England, 328 S.C. 627, 494 S.E.2d 431 (1997). There, the Court was required to determine whether a physician could be held liable for revealing the confidences of a patient. In recognizing a cause of action in favor of a patient for a physician's breach of the duty of confidentiality to the patient, the Court discussed the question of privilege as it might apply to that relationship. It noted that there is no privilege in South Carolina for communications between a patient and her physician:

“At common law neither the patient nor the physician has the privilege to refuse to disclose in court a communication of one to the other, nor does either have a privilege that the communication not be disclosed to a third person.” 61 Am. Jur. 2d Physicians, Surgeons, and Other Healers § 169 (1981) (emphasis added). **Although many states have statutorily created a “physician-patient testimonial privilege,” South Carolina has not enacted a similar statute and does not recognize the physician-patient privilege.** Peagler v. Atlantic Coast Line R.R. Co., 232 S.C. 274, 101 S.E.2d 821 (1958) (statutes have been enacted in most states making communications between a physician and patient privileged from compulsory disclosure, but there is no such statute in South Carolina).

³ See, e.g., S.C. Code Ann. § 19-11-80 (LexisNexis, LEXIS through Ch. 7, 8 and 9 of the 2017 session) (Privilege against self-incrimination.); S.C. Code Ann. § 19-11-90 (LexisNexis, LEXIS through Ch. 7, 8 and 9 of the 2017 session) (Priest-penitent privilege.); S.C. Code Ann. § 24-21-290 (LexisNexis, LEXIS through Ch. 7, 8 and 9 of the 2017 session) (Information received by probation agents privileged.).

⁴ See, e.g., S.C. Code Ann. § 19-11-30 (LexisNexis, LEXIS through Ch. 7, 8 and 9 of the 2017 session) (Competency of husband or wife of party as witness.); S.C. Code Ann. § 19-11-95 (LexisNexis, LEXIS through Ch. 7, 8 and 9 of the 2017 session) (Confidences of patients of mental illness or emotional conditions.); S.C. Code Ann. § 19-11-100 (LexisNexis, LEXIS through Ch. 7, 8 and 9 of the 2017 session) (Qualified privilege against disclosure for news media; waiver.); S.C. Code Ann. § 40-75-190(B) (LexisNexis, LEXIS through Ch. 7, 8 and 9 of the 2017 session) (“All communications between clients and their licensed professional counselor or marriage and family therapist are considered privileged as provided in Section 19-11-95....”).

McCormick, 328 S.C. at 633-634, 494 S.E.2d at 434 (emphasis added). Similarly, as detailed above, although many states have created privileges for trade secrets, South Carolina has not enacted any similar statute or adopted a similar evidentiary rule.

McCormick and its predecessor, S.C. State Board of Medical Examiners v. Hedgepath, 325 S.C. 166, 480 S.E.2d 724 (1997), distinguish between confidential information protected by the balancing tests employed by the rules of civil procedure and information entitled to a special evidentiary privilege. There is no question that there is a difference between balancing the rights of litigants in granting access to confidential information and imposing an evidentiary privilege of nondisclosure. The distinction was noted by this Court nearly 100 years ago in State v. Chandler, 126 S.C. 149, 154, 119 S.E. 774, 776 (1923): “Confidential communication between attorney and client and husband and wife cannot be forced to be disclosed, but that is a personal privilege of the parties.” Sixty-four years later, in 1997, the Court elaborated on this distinction, explaining the difference between the terms in the context of a dispute between a physician and his patient. First noting that South Carolina does not recognize a doctor-patient evidentiary privilege, the Court stated:

The terms “privilege” and “confidences” are not synonymous, and a professional’s duty to maintain his client’s confidences is independent of the issue whether he can be legally compelled to reveal some or all of those confidences, that is, whether those communications are privileged. See Wilcox South Carolina Legal Ethics Confidential Information 6-1 (1992). Reg. 81-60(D) enjoins a physician to maintain his patients’ confidences within the constraints (or limitations) of the law.

Hedgepath, 325 S.C. at 169, 480 S.E.2d at 726 (emphasis added). Later in 1997 the Court further elaborated: “[A] right to confidentiality exists against a specific person, who, by virtue of his relationship to the confider, has notice of the duty to preserve the

secrecy of clearly identifiable information.” McCormick, 328 S.C. at 641, 494 S.E.2d at 438, quoting Alan B. Vickery, Note, Breach of Confidence: An Emerging Tort, 82 Colum. L. Rev. 1426, 1440 (1982). The distinction between a testimonial privilege and a duty of confidentiality was underscored in Snively v. AMISUB of South Carolina, Inc., 379 S.C. 386, 393, 665 S.E.2d 222, 225 n.5 (Ct. App. 2008) (“[T]he absence of a testimonial privilege barring certain in-court disclosures is not determinative of our issue because this evidentiary privilege is discernible from a duty of confidentiality.”).

This distinction is also echoed in statutes codifying testimonial privileges. In codifying the spousal privilege the legislature provided: “no husband or wife may be required to disclose any confidential or, in a criminal proceeding, any communication made by one to the other during their marriage.” S.C Code Ann. § 19-11-30 (Competency of husband or wife of party as witness.). With the priest-penitent privilege, the language is “no regular or duly ordained minister, priest or rabbi shall be required, in giving testimony, to disclose any confidential communication properly entrusted to him....” S.C Code Ann. § 19-11-90 (Priest-penitent privilege.). In determining whether the priest-penitent privilege will be applied, four conditions must first be established, the first of which is that there must be a confidential communication. Rivers v. Rivers, 292 S.C. 21, 354 S.E.2d 784 (Ct. App. 1987).

The distinction is apparent in other South Carolina rules and statutes. The common law attorney-client privilege requires a showing that the communication for which the privilege is sought was of a confidential nature. State v. Doster, 276 S.C. 647, 284 S.E.2d 218 (1981). “Confidence” is formally defined in the evidentiary privilege provided to patients of mental illness or emotional conditions: “‘Confidence’ is a private

communication between a patient and a provider or information given to a provider in the patient-provider relationship.” S.C. Code Ann. 19-11-95(A)(3).

Rule 511, SCACR, adopted effective June 21, 2006; provides rules of professional conduct for court interpreters. It also distinguishes between a privilege and a confidence. Included are Rules 5 and 6:

RULE 5

CONFIDENTIALITY

Interpreters shall protect the confidentiality of all **privileged and other confidential** information.

RULE 6

RESTRICTION OF PUBLIC COMMENT

Interpreters shall not publicly discuss, report, or offer an opinion concerning a matter in which they are, or have been, engaged even when that information **is not privileged or required by law to be confidential**.

(Emphasis added). The Commentary to these rules further illustrates the distinction between what is privileged and what is merely confidential. The Commentary to Rule 3 provides in part that “[b]efore providing services in a matter, court interpreters must disclose to all parties and the presiding judge any prior involvement, whether personal or professional, that could be reasonably construed as a conflict of interest. **This disclosure should not include privileged or confidential information.**” (Emphasis added). And the Commentary to Rule 6 provides in full:

Generally, interpreters should not discuss outside of the interpreter’s official duties, interpreter assignments, persons involved or the facts of the case. However, interpreters may share information for training and educational purposes. Interpreters should only share as much information as is required to accomplish their purpose. **An interpreter must not reveal privileged or confidential information.**

(Emphasis added). All of the above demonstrate the importance of the use of the disjunctive “or” when discussing materials that may be privileged or confidential.

Appellants’ argument interchangeably uses “privilege,” “a legal right to withhold information” and “confidential” as if they are synonymous, based on the assertion that they convey the identical legal meaning. In doing so they cite many of the same cases and statutes referenced above. How they reach their conclusion of the interchangeability of the words and phrase is confounding. South Carolina case law and statutes draw a clear distinction between what is a privilege and what is confidential. They are not the same; they are not interchangeable terms. Hedgepath, 325 S.C. at 169, 480 S.E.2d at 726. What is confidential is not necessarily privileged. What is privileged is always confidential.

Privilege and confidentiality are the legal equivalent to a rectangle and a square. A square is always a rectangle, but a rectangle is not always a square. In the context of privilege and confidentiality, a privilege always involves something confidential, but that which is confidential is not always covered by a privilege.

The distinction between privilege and confidentiality is underscored by Rule 501, SCRE, adopted in 1995, which notably does not include any reference to a “trade secret” privilege. The accompanying notes also do not include any reference to a privilege for trade secrets:

RULE 501. GENERAL RULE

Except as required by the Constitution of South Carolina, by the Constitution of the United States or by South Carolina statute, the privilege of a witness, person or government shall be governed by the principles of the common law as they may be interpreted by the courts in the light of reason and experience.

Notes

This rule modifies the federal rule to refer to the South Carolina Constitution and statutes. Like the federal rule, this rule does not set forth a list of privileges. Among those privileges which would be covered by this rule are: husband and wife (S.C. Code Ann. § 19-11-30); priest and penitent (S.C. Code Ann. § 19-11-90); certain mental health professionals and clients (S.C. Code Ann. § 19-11-95); news media and sources (S.C. Code Ann. § 19-11-100); attorney and client [Drayton v. Industrial Life & Health Ins. Co., 205 S.C. 98, 31 S.E.2d 148 (1944)]; privilege against self-incrimination (U.S. Const. amend. V; S.C. Const. art. I, § 12; S.C. Code Ann. § 19-11-80); and the identity of a confidential informant [State v. Hayward, 302 S.C. 75, 393 S.E.2d 918 (1990)].

Appellants' argument conflates and confuses the concepts of privilege and confidentiality, essentially arguing that because the SCTSA provides that trade secrets are entitled to some level of confidentiality protection, they are also, by implication, privileged. Those terms are not synonymous or interchangeable and this Court should not find the existence of an evidentiary privilege by implication or inference.

B. Laffitte was decided based on the express language of the SCTSA and Rule 26(c), SCRPC, rather than Rule 501, SCRE.

In 2009, Rule 501, SCRE, had been in place for 14 years and applied to all South Carolina actions. Nevertheless, this Court did not use or refer to the Rule 501, SCRE, as a basis for the decision in the only South Carolina case addressing the protections afforded to trade secrets by S.C. Code Ann. § 39-8-60. Laffitte v. Bridgestone Corp., 381 S.C. 460, 674 S.E.2d 154 (2009).

In Laffitte, this Court addressed what it recognized as a "novel issue in South Carolina": "[t]he question of what standard governs the discovery of trade secret information." Laffitte, 381 S.C. at 472, 674 S.E.2d at 161. In determining the standard, this Court did not reference, or even mention, the idea that a statutorily-created privilege

for trade secrets had been created by the enactment of the SCTSA, while at the same time noting that there are other “jurisdictions where trade secrets are protected by a codified evidentiary privilege,” including Texas and California. Laffitte, 381 S.C. at 475, 674 S.E.2d at 162 n.11.

In reaching a decision over the disputed production of Bridgestone Corporation’s tire skim stock formula, this Court applied the statutory definitions of trade secret and “substantial need” under S.C. Code Ann. § 39-8-60(B), and then recognized that was not the “sole relevant inquiry in determining the standard governing trade secret information.” Laffitte, 381 S.C. at 474, 674 S.E.2d at 162. It then looked to the protections expressly provided by the procedural constructs of Rule 26(c), SCRCP, with reference to federal case law interpreting Rule 26(c), Fed.R.Civ.P. Determining that the skim stock formula would not be produced, this Court held that “the balancing test associated with the discovery of trade secret information under Rule 26(c), SCRCP, governs the discovery of trade secret information in this matter,” Laffitte, 381 S.C. at 475, 674 S.E.2d at 162-163.

As the question before the Court has developed and moved through this litigation, much paper, ink, and argument has been devoted to the question of whether the protections of the SCTSA are procedural or substantive. This Court’s choice to analyze S.C. Code Ann. § 39-8-60 under the South Carolina Rules of Procedure, rather than the protections provided by Rule 501, SCRE, to privileges provides a definitive answer. There is no statutorily-created trade secret privilege in South Carolina.

In addressing production of trade secrets in litigation, South Carolina state and federal courts employ a balancing test for good reason. Weighing the needs of plaintiffs

for information necessary to prove their claims against the financial and business interests of defendants pits longstanding public policy favoring “every man’s evidence” in the search for truth against a public policy seeking to protect business and property interests. Neither South Carolina state courts nor the federal courts have taken these competing interests lightly.

In Laffitte, the South Carolina Court fashioned a multi-part test taken from the language of the SCTSA and case law from other jurisdictions. First, the party seeking the trade secret information must show substantial need under the SCTSA. The next inquiries, based on Rule 26(c), SCRPC, require second, that the trade secret information must be relevant to the specific issues in the litigation, and third, that 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 to the point that an unjust result is a real, rather than a merely possible, threat.” In sum, the trial court must consider whether reasonable alternatives exist for the party seeking the information. Discovery will be ordered when the issues cannot be fairly adjudicated in the absence of the trade secret information. Laffitte, 381 S.C. at 475-476, 674 S.E.2d at 163 (citations omitted).

The Laffitte test for production of trade secret information is analogous to the test employed by the District Court in this action, as enunciated in Coca-Cola Bottling Co. of Shreveport, Inc. v. Coca-Cola Co., 107 F.R.D. 288 (D. Del. 1985). The Coca-Cola Bottling test is also multipart. First, the party seeking information must show that it is relevant to the subject matter of the action. Second, the party seeking the information must show its necessity to the party’s ability to “prepare its case for trial, which includes

proving its theories and rebutting its opponent's theories." If the seeking party successfully establishes relevance and necessity then the court is called upon to engage in the third part of the test. The court balances the party's need for the information against the potential harm posed by the disclosure: Coca-Cola Bottling, 107 F.R.D. at 292-293. Discovery will be ordered when the seeking party's need for the trade secret information outweighs the potential harm that could be caused by disclosure under an appropriate protective order. Id. at 299.

The courts also employ the same method of affording protection to a defendant when the needs of a plaintiff for production of a trade secret is determined to outweigh the potential harm to the defendant from the production: a protective order. S.C. Code Ann. § 39-8-60(E) ("Information produced pursuant to this section must be governed by an appropriate written protective order of the court."); Rule 26(c)(7), SCRCP (court may issue a protective order "that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way"); Laffitte, 381 S.C. at 474-75, 674 S.E.2d at 162 ("§ 39-8-60 does not improperly limit the operation of Rule 26, but rather is consistent with Rule 26 in that both provide for reasonable restrictions on the discovery of trade secrets. The Trade Secrets Act therefore does not supplant, but rather complements, Rule 26(c)..."); Rule 26(c)(1)(G), Fed. R. Civ. P. (court may issue a protective order "requiring that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a specified way"); Coca-Cola Bottling, 107 F.R.D. at 298-299 ("The potential harm that would come from public disclosure of the formulae...is great...but

virtually all of that harm can be eliminated with stringent protective orders and other safeguards.”).

The courts of South Carolina at both the state and federal levels give serious and detailed consideration to the competing public policies presented by production of trade secret information and they do so under their applicable procedural rules rather than under the rules of evidence or any law of privilege. The subtle differences in the balancing tests employed do not diminish the process or the methodology.

II. South Carolina does not recognize a common law evidentiary privilege for trade secrets, as conceded by Appellants.

The only other way for this Court to find that a trade secret evidentiary privilege exists in South Carolina is for it to conclude that a trade secret privilege existed at common law. However, nothing in South Carolina’s case law concerning trade secrets creates a privilege. South Carolina common law as it concerned trade secrets did not extend beyond establishing methods and parameter for protecting the owners of trade secrets in the context of employment contracts. See, e.g., Carolina Chemical Equip. Co. v. Muckenfuss, 322 S.C. 289, 471 S.E.2d 721 (Ct.App. 1996) (covenant not to disclose trade secrets); Wolf v. Colonial Life & Accident Ins. Co., 309 S.C. 100, 420 S.E.2d 217 (Ct. App. 1992) (prohibition clause in employment contract). Appellants concede that “no statutory or common law evidentiary privilege for trade secrets existed in South Carolina” as of 1975. (Appellants Brief p 16). They include no further discussion of a possible common law trade secret privilege. Presumably, the parties agree that there has never been a common law trade secret privilege in South Carolina.

Had our Courts intended to create a common law trade secret privilege, they surely could have done so just as the Legislature could have done so – using clear and

CERTIFICATE OF SERVICE

The Final Brief of Respondent has been served via U.S. Mail, postage prepaid,

to:

Wallace K. Lightsey
WYCHE, P.A.
44 East Camperdown Way
Greenville, South Carolina 29601

Attorneys for Appellants

E. Duncan Getchell, Jr.
Michael H. Brady
MCGUIREWOODS LLP
800 East Canal Street
Richmond, Virginia 23219

Attorneys for Appellants

This 4th day of May, 2017.

M. Gary Toole
MCDONALD TOOLE & WIGGINS, P.A.
111 North Magnolia Avenue, Suite 1200
Orlando, Florida 32801

Attorneys for Appellants

Debora B. Alsup
THOMPSON & KNIGHT LLP
98 San Jacinto Boulevard, Suite 1900
Austin, Texas 78701

*Attorneys for Amicus
Rubber Manufacturers Association*



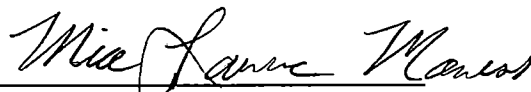
Mia Lauren Maness

unequivocal language. When our courts have created such privileges, they have used clear language and have distinguished between a privilege and a confidence in doing so. State v. Chandler, 126 S.C. 149, 154, 119 S.E. 774, 776 (1923) (“Confidential communication between attorney and client...cannot be forced to be disclosed, but that is a personal **privilege** of the parties.”); State v. Bernotas, 277 S.C. 106, 109, 283 S.E.2d 580, 581 (1981) (“[T]he State is **privileged** to withhold the names of informers.... [D]isclosures should only be made when the informer’s identity would be relevant to the accused’s defense.”). As conceded by Appellants, South Carolina does not have a common law trade secrets privilege.

CONCLUSION

South Carolina does not recognize a statutory, common law or constitutional evidentiary privilege for trade secrets. The Court should answer the Certified Question in the negative.


Respectfully submitted,



Mark C. Tanenbaum
Mia Lauren Maness
MARK C. TANENBAUM, P.A.
1017 Chuck Dawley Boulevard, Suite 101
Mt. Pleasant, South Carolina 29464
(843) 577-5100

Attorneys for Respondent

ing: LBS
17-10071/S

ATNO DNiddHS Sdn NO. /  www.ups.com/uis/create?ActionOriginPair=default Print W
1/30/17

This box is for use with the following services:

- UPS Next Day Air®
- UPS Worldwide ExpressSM
- UPS 2nd Day Air®
- UPS Worldwide ExpeditedSM

his box for:

- UPS Ground
- UPS Standard
- UPS 3 Day SelectSM


Apply shipping documents here

THE LEX GROUP DC
202-955-0001
THE LEX GROUP DC
1925 K STREET, NW
WASHINGTON DC 20006

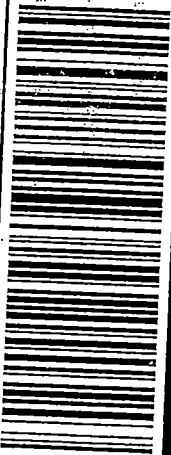
SHIP TO:
HONORABLE DANIEL E. SHEAROUSE
SUPREME COURT OF SOUTH CAROLINA
POST OFFICE BOX 11330
1231 GERVAIS STREET
COLUMBIA SC 29201-3206

7 LBS DWT: 16,11.3
1 OF 1

SC 291 9-01



UPS NEXT DAY AIR
TRACKING #: 1Z 297 R9A 01 9802 1680



BILLING: P/P

UPS 19-2-05E W3P3N150 87.0A 04/2017

