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Via Email

Hon. Barbara L. Major
11th Floor (Carter/Keep)
Suite 1110
333 West Broadway
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Profil v. ProSciento – 3:16-cv-01549

Dear Judge Major:

This email sets forth Profil's position regarding the proposed Protective Order.
The Parties are in the process of negotiating a Protective Order and have reached an impasse on several disputed issues, including whether the Protective Order should foreclose the possibility of an international comity analysis. This issue is of great importance to Profil, a German company, that must comply with EU and German data privacy laws.

The Parties also have encountered difficulties agreeing to the format and timing for a joint motion for entry of a Protective Order. For example, ProSciento insists on opening the brief with a one-sided introduction that does not include Profil's position, and ProSciento has not agreed to reasonable page-limits for each side. Moreover, because of the foreign law issues involved, Profil requires time to prepare appropriate declarations to present its case.

Accordingly, Profil respectfully requests the Court to set a briefing schedule for the Parties to fully explain their positions, with opening briefs due on Thursday, June 22, 2017 and reply briefs due on Friday, July 7, 2017.

A Motion to Dismiss is Still Pending before the Court

On June 9, 2017, Profil moved to dismiss ProSciento's Fourth Counterclaim for Intentional Interference with Contractual Relations. A hearing on Profil's motion is set for July 31, 2017. Accordingly, the parties' initial pleadings will not be complete until at least July 31 at the earliest. Notably, Profil's motion to dismiss may result in the joinder of a now third-party, MTB Zier GmbH ("MTB"), which also will need to agree to comply with any Protective Order entered here. Although Profil does not wish to delay the start of discovery in this case, to conserve judicial resources, the Court may wish to stay resolution of the parties' Protective Order disputes until the pleadings are settled and all parties are joined.

Proposed Protective Order – Disputed Issues

To the best of Profil's knowledge, the central disputes regarding the Protective Order are as follows: (1) whether the Protective Order should foreclose the possibility of an international comity analysis on issues relating to EU privacy laws; (2) whether trade secrets alleged to have been misappropriated may be designated "HIGHLY CONFIDENTIAL – OUTSIDE COUNSEL'S EYES ONLY" (hereinafter "OCEO"); (3) the scope of information that may be designated as OCEO, (4) whether Protected Personal Data may be designated as OCEO; (5) whether the parties must identify employees and in-house counsel given access to confidential information; and (6) whether a party may designate its own employees as an expert or consultant with access to highly-confidential and trade-secret information.

However, as of this morning, ProSciento had not provided an updated version of its proposed Protective Order and there is still some ambiguity as to what issues are disputed. Therefore, Profil reserves the right to supplement or otherwise modify this list as necessary to fully address its positions.

Paragraphs 1.g, 21.f, and 21.g – Application of Supreme Court's "Comity Analysis"

The parties have several disputes concerning the application of European and German data protection laws to discovery in this action. European data privacy laws create strict guidelines for the collection and transfer of personal data outside of the European Union, where "personal data" is broadly defined as "any information relating to an identified or identifiable natural person." *See, e.g.*, Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995. Failure to comply with these laws can result in serious liability, up to and including criminal penalties.

In particular, Profil proposes the following language for the Protective Order:

1.g. The term "Protected Personal Data" means information that a Party or non-party believes in good faith to be protected from disclosure by data privacy laws of the European Union. Examples of such data protection laws include but are not limited to Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the Protection of Individuals with Regard to the Processing of Personal Data and on the Free Movement of Such Data, 1995 O.J. (L281/31) (European Union personal information); and the German Federal Data Protection Act (Germany personal information).

21.f. Modification by Court. This Order is subject to further court order based upon public policy or other considerations, and the Court may modify this Order *sua sponte* in the interests of justice. The United States District Court for the Southern District of California is responsible for the interpretation and enforcement of this Order. All disputes concerning Protected Material, however designated, produced under the protection of this Order shall be resolved by the United States District Court for the Southern District of California.

21.g. Rules Remain Unchanged. Nothing herein shall alter or change in any way the discovery provisions of the Federal Rules of Civil Procedure, the Local Rules for the United States District Court for the Southern District of California, or the Court's own orders. Identification of any individual pursuant to this Protective Order does not make that individual available for deposition or any other form of discovery outside of the restrictions and procedures of the

Federal Rules of Civil Procedure, the Local Rules for the United States District Court for the Southern District of California, or the Court's own orders.

In contrast, ProSciento proposes adding language to paragraph 1.g. stating that foreign data privacy laws "shall not be asserted as[] grounds to deny or refuse to search for or produce any relevant discovery in these Actions, as the parties' discovery obligations shall be governed by the United States Federal Rules of Civil Procedure." In addition, ProSciento' proposes adding paragraph 21.f., which would require that all disputes regarding the order "be governed by California law, without regard to California choice-of-law provisions," and adding paragraph 21.g., which would require that the Federal Rules of Civil Procedure "govern the Actions." Profil is concerned that such language could be used to foreclose an international comity analysis, which may be required later in this litigation, and believes that this language should be left out of the Protective Order.

Federal Rule of Civil Procedure 26 grants the Court discretion to limit discovery on several grounds, including international comity. *See In re Rubber Chems. Antitrust Litig.*, 486 F. Supp. 2d 1078, 1081 (N.D. Cal. 2007) (citing *Societe Nationale Industrielle Aerospatiale v. U.S. Dist. Court for S. Dist. of Iowa*, 482 U.S. 522, 544 (1987)). Comity "is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to the international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws." *Aerospatiale*, 482 U.S. at 544 n.27 (internal citation omitted).

In undertaking a comity analysis, a court must balance several factors related to the specific request and information at issue, including *inter alia* the importance of the documents to the litigation and the degree of specificity of the request. *See Société Internationale Pour Participations Industrielles et Commerciales, S.A. v. Rogers*, 357 U.S. 197, 204–06 (1958) (adopting a balancing "comity analysis" to determine application of foreign law to U.S. disputes). It is premature for the Court to undergo such an analysis now, when there is no actual request at issue. In accordance with the Supreme Court's decision in *Société Internationale*,

Profil believes that such disputes should be considered on a case-by-case bases as the need arises.

Proposed Protective Order Paragraphs 9.a – Scope of Information that May Be Designated as "Highly Confidential – Outside Counsel's Eyes Only"

Profil proposes the following language for paragraph 9.a. of the Protective order:

A Producing Party may designate Discovery Material as "HIGHLY CONFIDENTIAL – OUTSIDE COUNSEL'S EYES ONLY" if the Producing Party believes in good faith that it contains or reflects trade secret(s), as defined in the Uniform Trade Secrets Act and California Civil Code 3426-3426.11, or that it contains or reflects information that is extremely sensitive and disclosure of which would create a substantial risk of serious harm that could not be avoided by less restrictive means.

ProSciento, in contrast, proposes a narrower definition of "HIGHLY CONFIDENTIAL – OUTSIDE COUNSEL'S EYES ONLY" information (hereinafter "OCEO") as limited to "trade secret(s), as defined in the Uniform Trade Secrets Act and California Civil Code 3426-3426.11" that have not been alleged to have been misappropriated by the other Party. ProSciento's proposal is inappropriately narrow and would expose Profil to competitive harm if it were forced to disclose extremely sensitive information to its direct competitor. *See Nutratech, Inc. v. Syntech (SSPF) Intern., Inc.*, 242 F.R.D. 552, 555 (C.D. Cal. 2007) ("Courts commonly issue protective orders limiting access to sensitive information to counsel and their experts."). Indeed, Profil's proposed language is reasonable and tracks this Court's model Protective Order for patent cases, which states the following:

> 2.8 "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" Information or Items: extremely sensitive "Confidential Information or Items," disclosure of which to another Party or Non-Party would create a substantial risk of serious harm that could not be avoided by less restrictive means.

The Court should adopt similar language here to protect the Parties against competitive harm, while explicitly acknowledging that trade secret information presumptively falls into this category.

Proposed Protective Order Paragraph 9.a – Access to Profil's Trade Secrets by ProSciento Employees

ProSciento proposes adding the following language to paragraph 9.a. of the Protective Order:
To resolve any doubt: information that a party alleges was misappropriated will, if designated at all, be designated as 'Confidential,' or 'Highly Confidential,' but may not be designated 'Highly Confidential—Outside Counsel's Eyes Only.

Profil and ProSciento are direct competitors. Courts recognize the danger of sharing trade secret information with employees of a direct competitor. *See Nutratech, Inc. v. Syntech (SSPF) Intern., Inc.*, 242 F.R.D. 552, 555 (C.D. Cal. 2007) ("Courts commonly issue protective orders limiting access to sensitive information to counsel and their experts."); *ViaSat, Inc. v. Acacia Commc'ns, Inc.*, 2017 WL 840876, at *2 (S.D. Cal. Mar. 2, 2017) ("The disclosure of confidential information on an 'attorneys' eyes only' basis is a routine feature of civil litigation involving trade secrets.").

ProSciento's proposed language would allow its employees—including competitive decision-makers at ProSciento—access to many of Profil's trade secrets. These trade secrets are extremely valuable and provide Profil with a competitive advantage in the marketplace. Although Profil alleges that ProSciento has misappropriated many of its trade secrets, it may be that ProSciento no longer has some of those trade secrets in its possession. If Profil were required to provide ProSciento's in-house counsel and employees with access to trade secrets not already in ProSciento's possession, that would be very harmful to Profil; there would be nothing to prevent ProSciento from misusing those trade secrets to compete directly against Profil.
Notably, Profil's proposed order would not restrict ProSciento's access to information already in ProSciento's possession—it would only restrict access to documents produced by Profil under the appropriate designation. Thus, to the extent ProSciento already has the alleged trade secrets in its possession, ProSciento's employees would be able to review that information in assisting with the defense.

Proposed Protective Order Paragraph 9.b – Designation of "Protected Personal Data" as Outside Counsel's Eyes Only and Compliance with EU Data Privacy Laws

The parties dispute whether the Protective Order should allow the parties to designate protected personal information as OCEO. In particular, Profil proposes the following language in paragraph 9.b:

Because Protected Personal Data constitutes highly sensitive materials requiring special protection, to the extent production of such Protected Personal Data becomes necessary to the prosecution or defense of the case, a Producing Party may designate such Protected Personal Data as "HIGHLY CONFIDENTIAL – OUTSIDE COUNSEL'S EYES ONLY." To facilitate the production of such Protected Personal Data, and ensure each Party's compliance with European data privacy laws, prior to the production of Protected Personal Data, each Party will agree to be bound by, and execute a copy of, the European Commission's "Standard contractual clauses for the transfer of personal data from the Community to third countries (controller to controller transfers)" attached hereto as Exhibit B.

In contrast, ProSciento proposes striking this language altogether. The European commission has created guidelines for the permissible transfer of protected personal data. Profil contends that the Protective Order should require the parties to follow these guidelines and allow the parties to designate protected personal information as OCEO. *See* Paragraph 9.b. Profil intends to submit a Declaration by German counsel with its brief explaining that the parties can comply with the relevant EU and German data privacy laws by following these procedures. By contrast, ProSciento contends that the parties should not have to follow these guidelines and should not be allowed to designate protected personal information as OCEO.

Proposed Protective Order Paragraph 10 – Identification of Employees and In-House Counsel with Access to Confidential Information

The parties dispute whether a Receiving Party should provide notice of the employee(s) to whom it will disclose the Protected Materials pursuant to the notice and right-to-object requirements in Paragraph 10 of the Protective Order.

In Profil's PPO, the notice and pre-authorization requirements in paragraph 10 apply to any disclosure of Protected Materials to a party's employee(s). The parties have agreed to provide notice under paragraph 10 before Protected Materials are disclosed to outside consultants and experts. There is no reason to treat employees of a Receiving Party any differently from outside experts in this context. Indeed, the danger that Protected Materials could be misused for competitive advantage is much greater with respect to employees of a direct competitor. Perhaps in recognition of this danger, the model Protective Order of this Court contemplates that the parties will identify in-house counsel before they receive protected information; it includes a blank space for the identification of such individuals, as highlighted below:

> 3. The term "counsel" will mean outside counsel of record, and other attorneys, paralegals, secretaries, and other support staff employed in the law firms identified below:_____
>
> _____
>
> ["Counsel" also includes_____, in-house attorneys for [Plaintiff] and _____, in-house attorneys for [Defendant].]

The fact that Profil and ProSciento are direct competitors strongly weighs in favor of subjecting all Receiving Party employees to the notice and right-to-object requirements in Paragraph 10. Any concerns that imposing such a requirement would impermissibly invade a Receiving Party's work product or litigation strategy are strongly outweighed by the countervailing concern of guarding against the misuse of the Protected Materials. *See Wreal LLC v. Amazon.com, Inc.*, No. 14-21385, 2014 WL 7273852, at *3-4 (S.D. Fla. Dec. 19, 2014) (imposing a requirement to disclose non-testifying experts and consultants before such individuals receive confidential information, and noting that "several district courts," including "the Southern District of California, have similar model orders that require such disclosure").

Proposed Protective Order Paragraph 20.e. – Designated Experts and Consultants May Not be Party Employees

The parties dispute whether they may be permitted to designate their own employees as experts and consultants and provide them with access to Protected Material under the Protective Order. In particular, Profil proposes adding the following paragraph 20.e., whereas ProSciento would omit this requirement entirely:

No designated expert or consultant given access to Protected Material under any provision(s) of this Order may be an employee of a Party.

Profil and ProSciento are direct competitors and permitting such unfettered disclosure to party employees would create a substantial risk of competitive harm. Indeed, if the parties were allowed to designate their own employees as experts and consultants this would eviscerate the provisions of the Protective Order designed to limit access to such confidential information given to each party's direct competitor. For example, paragraph 8.b.ii. would limit to three the number of corporate representatives given access to the other party's Highly Confidential information; but that requirement would be meaningless if a party could designate their employees as experts under paragraph 8.b.iii. And the OCEO designation would be rendered entirely meaningless if the parties could designate their own employees as experts under paragraph 9.d.ii. This end-run around the provisions of the Protective Order should not be permitted.

Sincerely,