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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

KARA TECHNOLOGY, INC.,) NO. CV 05-01890-CBM (SSx)
)
Plaintiff,) MEMORANDUM DECISION AND ORDER
) DENYING PLAINTIFF KARA
v.) TECHNOLOGY'S MOTION FOR A
) PROTECTIVE ORDER
STAMPS.COM, INC.,)
)
Defendant.)

I. INTRODUCTION

On July 8, 2005, Plaintiff Kara Technology, Inc. ("Plaintiff") filed a Motion for a Protective Order. In connection with the Motion, Plaintiff and Defendant Stamps.Com, Inc. ("Defendant") submitted a Joint Stipulation, pursuant to Central District of California Local Rule 37. On July 19, 2005, each party submitted a Supplemental Memorandum, pursuant to L.R. 37-2.3. On August 2, 2005, the Court held a hearing on Plaintiff's Motion. After consideration of the Joint Stipulation, Supplemental Memoranda and oral argument, the Court DENIES the Motion.

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1 **II. THE PARTIES' POSITIONS AND FACTUAL BACKGROUND**

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3 The underlying litigation involves allegations of misappropriation
4 of trade secrets. Plaintiff contends that Defendant wrongfully breached
5 a nondisclosure agreement and improperly used Plaintiff's confidential
6 and proprietary technical information. (Plaintiff's Supp. Mem. at 2).
7 The parties are currently engaged in the discovery phase of the
8 litigation. The discovery cut-off date is December 7, 2005.
9

10 The parties have agreed that a protective order governing the
11 exchange of confidential information is appropriate. (Jt. Stip. at 2).
12 The sole issue in dispute is whether the in-house counsel of Defendant,
13 Seth Weisberg, should be allowed access to information that Plaintiff
14 designates as "highly confidential." Plaintiff contends that, because
15 Mr. Weisberg is a "high level decisionmaker" within the corporation, he
16 should not be allowed access to Plaintiff's highly confidential
17 information. (Id.). Defendant disagrees, asserting that either the
18 information is not deserving of the "highly confidential" designation
19 or, if it is, there is no reason not to disclose such information to Mr.
20 Weisberg.
21

22 **III. GOVERNING CASE LAW**

23
24 The Ninth Circuit addressed the issue of confidentiality in
25 discovery and the role of protective orders in Foltz v. State Farm
26 Mutual Automobile Ins. Co., 331 F.3d 1122 (9th Cir. 2003). The Foltz
27 court recognized the general rule that for a court to enter a protective
28 order, the court must "identify and discuss the factors it considered

1 in its 'good cause' examination to allow appellate review of the
2 exercise of its discretion." Foltz, 331 F.3d at 1130 (quoting Phillips
3 v. Gen. Motors, 307 F.3d 1206, 1212 (9th Cir. 2002)). A party asserting
4 good cause bears the burden of showing that specific prejudice or harm
5 will result from the disclosure of each document (or item of
6 information) that it seeks to protect. Id.

7
8 It is well-established that the "fruits of pre-trial discovery are,
9 in the absence of a court order to the contrary, presumptively public.
10 Rule 26(c) authorizes a district court to override this presumption
11 where 'good cause' is shown." San Jose Mercury News, Inc. v. United
12 States Dist. Ct., 187 F.3d 1096, 1103 (9th Cir. 1999) (internal citations
13 omitted). Ninth Circuit precedent strongly favors disclosure to meet
14 the needs of parties in pending litigation. Beckman Industries, Inc.
15 v. International Ins. Co., 966 F.2d 470, 475 (9th Cir.), cert. denied,
16 506 U.S. 868, 113 S. Ct. 197, 121 L. Ed. 2d 140 (1992). Federal Rule
17 of Civil Procedure 26(c)(7) provides for a protective order upon a
18 showing "that a trade secret or other confidential research, development
19 or commercial information not be revealed or be revealed only in a
20 designated way."

21
22 The more narrow question of a general counsel's access to trade
23 secrets and other highly confidential information has been addressed in
24 a number of cases. In Brown Bag Software v. Symantec Corp., 960 F.2d
25 1465 (9th Cir.), cert. denied, 506 U.S. 869, 113 S. Ct. 198, 121 L. Ed.
26 2d 141 (1992), Brown Bag challenged a protective order issued by a
27 magistrate judge which prevented Brown Bag's in-house counsel from
28 directly reviewing confidential documents. Brown Bag's in-house counsel

1 could have access to the documents only through an "independent
2 consultant, legal or otherwise." Brown Bag, 960 F.2d at 1469. Brown
3 Bag argued on appeal that its in-house counsel should have been allowed
4 direct access to Symantec's trade secrets and that the denial of access
5 prevented Brown Bag from properly opposing Symantec's summary judgment
6 motion.

7
8 The Brown Bag court found that trial courts would need to apply a
9 "balancing test." Id. at 1470. The lower court must balance the risk
10 to the disclosing party of the inadvertent disclosure of trade secrets
11 to competitors against the risk to the requesting party that its ability
12 to prosecute its claims is impaired. Id. at 1471. The court found that
13 trial courts must examine factually "all the risks and safeguards
14 surrounding inadvertent disclosure by any counsel, whether in-house or
15 retained. Further, the nature of the claims and of a party's
16 opportunity to develop its case through alternative discovery procedures
17 factors into decisions on the propriety of such orders." Id. Finding
18 that the magistrate judge conducted a comprehensive evidentiary hearing
19 and properly balanced these competing interests, the Ninth Circuit
20 upheld the protective order limiting access to the in-house counsel.

21
22 In Amgen, Inc. v. Elanex Pharmaceuticals, Inc., 160 F.R.D. 134
23 (W.D. Wash. 1994), the court concluded that in-house counsel should be
24 allowed access to confidential information. After evaluating the nature
25 of the in-house counsel's position and determining that the in-house
26 counsel was not involved in "competitive decisionmaking" (unlike the in-
27 house counsel in Brown Bag), the court declined to enter the proposed
28 protective order limiting the in-house counsel's access. Cf. Intel

1 Corp. v. Via Technologies, Inc., 198 F.R.D. 525, 531-32 (N.D. Cal.
2 2000) (denying access to in-house counsel because the significant role
3 in-house counsel held within company made the potential for inadvertent
4 disclosure too great). With these authorities in mind, the Court now
5 turns to evaluate Kara Technology's Motion.

6
7 **IV. PLAINTIFF HAS FAILED TO MEET ITS BURDEN OF DEMONSTRATING THE HARM**
8 **THAT WOULD RESULT FROM THE DISCLOSURE OF THE IDENTIFIED**
9 **INFORMATION TO SETH WEISBERG, IN-HOUSE COUNSEL FOR STAMPS.COM**

10
11 Mr. Weisberg submitted a declaration describing his duties with
12 Stamps.com. (Declaration of Seth Weisberg ("Weisberg Dec."), attached
13 to Jt. Stip.). He has held the position of Vice President and General
14 Counsel since March 2001. (Weisberg Dec. ¶ 1). His duties include
15 managing the Legal Department and personally handling all the various
16 general legal issues involving Stamps.com. (Weisberg Dec. ¶ 2). Mr.
17 Weisberg advises Stamps.com on corporate and securities matters,
18 Sarbanes-Oxley compliance, corporate formalities, tax and accounting
19 issues, general commercial litigation, labor and employment issues,
20 regulatory and government affairs, commercial matters, intellectual
21 property issues and international law. (Weisberg Dec. ¶ 3). His
22 specific duties in connection with intellectual property matters include
23 the supervision of preparation of patent applications, the receipt and
24 review of patent opinions, advising Stamps.com on licensing agreement
25 language and supervising outside counsel. (Weisberg Dec. ¶ 4). Mr.
26 Weisberg has advised management regarding alleged or potential
27 infringement of existing patents, but he does not make business
28 decisions regarding design considerations. (Id.). He asserts that

1 intellectual property-related duties comprise a relatively small
2 minority of his legal work for Stamps.com. (Id.). Mr. Weisberg does
3 not make any decisions regarding pricing, marketing or sales. (Weisberg
4 Dec. ¶ 5).
5

6 During the hearing, Plaintiff's counsel identified four categories
7 of documents which Plaintiff seeks protection from disclosure to Mr.
8 Weisberg. (Transcript ("TR") at 6). Each category will be addressed
9 below.

10
11 **A. Marketing Documents**
12

13 Plaintiff's counsel described these documents as "letters, offers
14 to view products, market research-type documents." (TR 6). He stated
15 that the dates for these documents would range from 1999 to 2001.
16 (Id.). These documents include letters from potential customers
17 interested in the technology that Plaintiff was developing. (Id.).
18 When the Court asked Plaintiff's counsel to identify the harm from
19 disclosure of these documents to Mr. Weisberg, counsel asserted that it
20 would give Mr. Weisberg an unfair advantage in negotiating with those
21 same customers.
22

23 The Court reminded counsel that those letters were at least four
24 years out of date. Counsel asserted that Plaintiff's strategy in
25 negotiating would not have changed, even over a four-year period. (Id.
26 at 9). The Court disagrees, however, finding that Plaintiff has not
27 identified any particular harm that it would experience as a result of
28

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1 Mr. Weisberg's review of 1999-2001 "marketing documents." The Motion
2 is therefore DENIED as to this category of documents.

3
4 **B. Licensing Offers**

5
6 The second category of documents is "licensing offers." (Id. at
7 9). These are allegedly offers to license Plaintiff's products from
8 other companies, again in the 1999-2001 time frame. (Id.). Plaintiff's
9 counsel argued that this would expose Plaintiff's "customer base" to
10 Defendant.

11
12 However, customer lists generally are subject to disclosure
13 pursuant to an appropriate protective order. See Drexel Heritage
14 Furnishings, Inc. v. Furniture USA, Inc., 200 F.R.D. 255, 261 (M.D.N.C.
15 2001) (ordering disclosure of supplier lists subject to protective
16 order); Geophysical Systems Corp. v. Raytheon Co., Inc., 117 F.R.D. 646,
17 649 (C.D. Cal. 1987) (ordering disclosure of defendant's customer lists,
18 subject to protective order); Russ Stonier, Inc. v. Droz Wood Company,
19 52 F.R.D. 232, 234 (E.D. Pa. 1971) (ordering disclosure of defendant's
20 manufacturers, dealers and distributors to plaintiff, subject to
21 protective order). Here, there is no showing by Plaintiff that
22 disclosure of this customer information to Mr. Weisberg would present
23 any unique harm that would not be ordinarily presented by the disclosure
24 of a customer list during litigation. As such, Plaintiff has not
25 demonstrated a need to limit Mr. Weisberg's access to such information,
26 and Plaintiff's Motion is DENIED as to this category of documents.

1 **C. Proposed Agreements and Negotiation Documents**

2
3 Plaintiff's counsel repeated his previous arguments when describing
4 the alleged harm that Plaintiff would suffer from the disclosure of
5 proposed agreements and negotiation documents. (Id. at 10-11). These
6 documents are also from the 1999-2001 time period. For the reasons
7 stated in Section "A", above, the Court DENIES the Motion as it pertains
8 to this category of documents.

9
10 **D. Source Code Documents**

11
12 The final category of documents is described as "source code
13 documents" which contain the source codes for various technologies
14 developed by Plaintiff. (TR 6). More specifically, these documents
15 reflect the "source code essentially for software that will help enable
16 the type of internet-based stamps technology that is at issue in this
17 case." (TR 7). Plaintiff's counsel described this information as
18 "product design" information. (TR 7-8).

19
20 Defendant's counsel asserted that, as this case involves an
21 industry where "technology moves very quickly," information pertaining
22 to Plaintiff's product design from 1999 to 2001 is no longer valuable
23 information. (TR 12). Thus, there would be no harm to Plaintiff from
24 disclosure of this outdated information.

25
26 Defendant also contended that Mr. Weisberg's role in Stamps.com is
27 not as a "competitive decisionmaker." (TR 18). Mr. Weisberg's
28 declaration established that he is not involved in marketing, sales or

1 product design. (Weisberg Dec. ¶ 4). Mr. Weisberg does not prepare
2 patent applications, but may supervise other lawyers who do prepare such
3 applications. (TR 19; Weisberg Dec. ¶ 4). His declaration establishes
4 that he is not involved in aspects of Stamps.com's business that would
5 render him a "competitive decisionmaker" as defined by the court in
6 Brown Bag and its progeny.

7
8 Defendant further distinguished Brown Bag on the grounds that the
9 parties in that case were both very active competitors in the same
10 marketplace. (TR 20). The Court agrees with this observation. Here,
11 as is evidenced in the declaration of Plaintiff's CEO, Plaintiff is not
12 actively in competition with Defendant at the present time.

13
14 Defendant assured the Court that adequate safeguards exist to
15 prevent Mr. Weisberg from revealing this information to anyone else at
16 Stamps.com. (TR 23). Defendant's counsel also stated that Defendant
17 would undertake further reasonable safeguards, if necessary. (TR 23).
18 Mr. Weisberg was previously subject to a protective order in a different
19 lawsuit, and there is no evidence that he violated that previous
20 protective order. (TR 24).

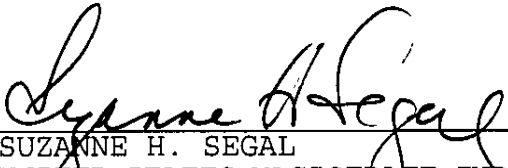
21
22 Based upon the above facts, the Court finds that Mr. Weisberg is
23 not a competitive decisionmaker within Stamps.com. The nature of his
24 duties, the fact that other individuals draft patent applications, and
25 the fact that he has no involvement in product design or pricing support
26 this conclusion. Equally important is Plaintiff's inability to
27 demonstrate that it would suffer any particularized harm from the
28 disclosure of this "source code" information to Mr. Weisberg. As

1 acknowledged by Plaintiff's counsel, the source code information is
2 dated from 1999 to 2002. Thus, it is at least three years old. This
3 Court agrees with the assertion by Defendant that technology for
4 business conducted over the Internet is evolving at an extremely rapid
5 rate. Without more specific information from Plaintiff about the type
6 of harm that would result following disclosure to Mr. Weisberg, the
7 Court must conclude that Plaintiff is not entitled to the extremely
8 limiting protective order it seeks. Thus, the Motion is DENIED as to
9 this category of documents as well.

10
11
12 **V. CONCLUSION**

13
14 Here, after balancing the risk to Plaintiff of the inadvertent
15 disclosure of each category of information to competitors against the
16 risk to Defendant that its ability to prosecute its claims is impaired,
17 the Court finds that the balance tips in favor of Defendant. The
18 information does not appear to come within the definition of "trade
19 secrets," or, even if it does, it appears unlikely that Mr. Weisberg
20 will be in a position to make an inadvertant and harmful disclosure of
21 the information. For the reasons stated above, Plaintiff's Motion for
22 a Protective Order is DENIED.

23
24 DATED: August 22, 2005


SUZANNE H. SEGAL
UNITED STATES MAGISTRATE JUDGE

25
26 I HEREBY CERTIFY THAT THIS DOCUMENT WAS SERVED
27 BY FAX DELIVERY ON PLAINTIFF/DEFENDANT (OR PARTIES)
28 AT THEIR RESPECTIVE MOST RECENT FAX NUMBER OF RECORD
IN THIS ACTION ON THIS DATE.

DATE: 8/22/05
K Carter

DEPUTY CLERK