

CAUSE NO. 199-596-97

DEC - 4 1998

DSC COMMUNICATIONS CORPORATION,

Plaintiff,

v.

EVAN BROWN,

Defendant.

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IN THE DISTRICT COURT OF

COLLIN COUNTY, TEXAS

219TH JUDICIAL DISTRICT

**DEFENDANT EVAN BROWN'S RESPONSE TO DSC'S MOTION TO COMPEL INTERROGATORY RESPONSES AND FOR SANCTIONS**

TO THE HONORABLE JUDGE OF SAID COURT:

Defendant Evan Brown ("Brown") files this Response to DSC's Motion to Compel Interrogatory Responses and for Sanctions and would respectfully show the Court as follows:

**FACTUAL BACKGROUND.**

On April 24, 1997, DSC sued Evan Brown, its former employee, in the 199th Judicial District Court of Collin County, Texas. DSC contends that it owns an idea in Evan Brown's mind (often referred to as the "Solution") which, if it works, will allow the user of a software program to convert machine executable binary code into a high-level source code using logic and data abstractions. In its lawsuit, DSC sought preliminary and permanent injunctive relief prohibiting Brown from taking any action with respect to his idea, a mandatory injunction requiring him to "disclose the Solution, in its entirety, to DSC" and an order permitting DSC to patent the idea.

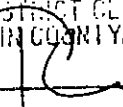
In its instant Motion, DSC asks this Court to compel Brown to disclose his idea in response to an Interrogatory propounded by DSC. DSC's Motion is the second motion it has filed to obtain

**Defendant Evan Brown's Response to DSC's Motion to Compel Interrogatory Responses and for Sanctions: Page 1**

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**FILED**

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HANNAH KUNZLE  
DISTRICT CLERK  
COLLIN COUNTY, TEXAS  
BY:  DEPUTY

such relief, this Court having denied its first motion by Order dated August 11, 1997. DSC's Motion also seeks to impose sanctions on Brown despite DSC's marked lack of diligence in seeking the relief sought in its Motion. After DSC filed its first motion to compel, Brown pursued his right to appeal this Court's June 30, 1997 injunction. On January 6, 1998, the Court of Appeals denied the appeal. On February 11, 1998, the Court of Appeals denied Brown's Motion for Rehearing. From February 11, 1998 to the date of the filing of the instant Motion on or about November 13, 1998 -- a period of more than nine months -- DSC has done nothing to obtain the discovery sought in its Motion.

In the nine months since Brown's Motion for Rehearing was denied, DSC has not sent a single letter to counsel for Brown seeking a response to the interrogatory at issue, has filed no pleadings whatsoever with this Court and has otherwise failed to seek a response to the interrogatory at issue. In fact, DSC has been virtually absent in this litigation for the last nine months. The only activity in the last nine months has been a letter sent from Brown's counsel to counsel for DSC regarding possible settlement of this case. Rather than respond to the letter, DSC filed the instant Motion. DSC's lack of diligence in seeking the relief sought in its Motion weighs heavily against the sanctions sought in the Motion. It also demonstrates that the Certificate of Conference in its Motion is defective, there having been no demand for a response to the Interrogatory at issue since the Court of Appeals denied Brown's appeal.

The Court should deny DSC's Motion because the Interrogatory at issue seeks disclosure of a privileged trade secret. In addition, the Interrogatory is unduly burdensome because it seeks to force Brown to reduce to writing what he has testified it would take a month to write. In addition,

the relief sought by DSC is improper because it seeks to compel Brown to disclose his entire solution, even though he only formulated a piece of the solution while working for DSC. Finally, the sanctions sought by DSC are inappropriate given its lack of diligence and its failure to confer with opposing counsel prior to the filing of the Motion. The Motion should be denied.

### **ARGUMENT AND AUTHORITIES**

**I. DSC's Motion should be denied because the Interrogatory at issue seeks to compel disclosure of a privileged trade secret.**

Brown objected to DSC's Interrogatory seeking disclosure of his idea on the basis that the discovery request improperly sought disclosure of a confidential and proprietary trade secret. A trade secret has been defined as "any formula, device or compilation of information which is used in one's business and presents an opportunity to obtain an advantage over competitors who do not know or use it." *Computer Associates International v. Altai, Inc.*, 918 S.W.2d 453, 455 (Tex. 1996). Rule 507 of the Texas Rules of Civil Evidence provides that a person has a privilege "to refuse to disclose and to prevent other persons from disclosing a trade secret owned by him . . . ." Tex. R. Civ. Evid. 507. Disclosure of Brown's idea to DSC would effectively thwart his right to maintain the secrecy of his trade secret and would violate the trade secrets privilege established by Rule 507.

DSC has conceded in open court that Brown's idea may be protected as a trade secret. See Testimony of Wayne Jones at April 30, 1997 hearing on Brown's Motion for Protective Order attached hereto as Exhibit A to the Pearson Affidavit at p. 20. Moreover, Brown's idea meets the common law requirements for a trade secret. The idea is known only to Mr. Brown, who has zealously protected its secrecy by refusing to write the idea down on paper, input his idea into a computer or orally divulge his idea to anyone. See Testimony of Evan Brown at May 2, 1997

temporary injunction hearing attached as Exhibit B to the Pearson Affidavit at p. 126; Oral Deposition of Evan Brown attached to the Pearson Affidavit as Exhibit C at p. 78. The idea has significant value to Brown and others. See Exh. A at p. 13 (stating that Brown's idea has a value "in the \$100 million range"); Exh. C at p. 111 (stating that the idea could generate internal savings to DSC of one billion dollars). As for the amount of time Brown has invested in the idea, he has repeatedly testified that he has been working on the idea since 1975. Exh. C at pp. 73-74. Finally, as to the ease with which his idea could be duplicated by others, it should be noted that DSC states in its Motion to Compel that DSC "has investigated the acquisition of technology similar to the Solution for a number of years." Motion to Compel at p. 3. Moreover, Brown has testified that it would take him a month to simply write down the idea, that the idea would take 400 single spaced pages to document and that it would be 18 months before the idea could actually be put into practice. Exh. B at p. 127. Brown's idea clearly qualifies as a trade secret.

DSC contends that trade secrets are not automatically immune from discovery and cites the case of *Automatic Drilling Machines, Inc. v. Miller*, 515 S.W.2d 256 (Tex. 1974) for this proposition. In that case, the Texas Supreme Court merely held that a court which must rule on the discoverability of trade secrets should "weigh the need for discovery against the desirability of preserving the secrecy of the material in question." *Id.* at 259. More importantly, the Court noted that information necessary to allow an adversary to develop their case "conceivably could be obtained by eliciting from the witness a description of the secret processes and devices in terms sufficiently general to protect [the holder of the trade secrets] and yet enable [his adversary] to make further investigation . . . ." *Id.* at 260. Brown has done precisely that both before and after the

initiation of this litigation by DSC, disclosing his idea in enough detail to allow DSC to litigate ownership of the idea without divulging every facet of his trade secret. To compel Brown to do more would eviscerate his right to preserve his trade secret.

DSC's Motion to Compel also ignores recent Texas Supreme Court guidance on the issue of trade secrets. In the case of *In re Continental General Tire, Inc.*, 1998 WL 784061, No. 98-0125 (Tex. Nov. 12, 1998), attached hereto as Exhibit H, the Court held that when a party opposing discovery establishes that the requested information is a trade secret, "[t]he burden then shifts to the requesting party to establish that the information is necessary to a fair adjudication of the case." In each case, the Court stated, the court ruling on the discovery matter must "weigh the degree of the requesting party's need for the information with the potential harm of disclosure to the resisting party." *Id.* at \*4. The Court in *Continental General* held that the trial court erred in ordering disclosure of a formula for skim stock used on a tire to the plaintiffs in a product liability case because the plaintiffs had not carried their burden of "demonstrating that the information is necessary for a fair trial." *Id.* at \*7. DSC likewise has failed to meet its burden in this case of showing why a complete disclosure of Brown's idea is necessary for a fair trial.

DSC's arguments as to why it needs a full disclosure of Brown's idea to prepare for trial are without merit and should be rejected. DSC essentially posits three arguments for this contention. DSC argues that full disclosure of Brown's idea is necessary because it is needed to defend against a claim by Intervener Lance Flores. *See* Motion at p. 5. First, Intervener has been dismissed from this lawsuit by Order of this Court. Second, there is no reason DSC could not simply ask Brown in a deposition how his idea is similar to or different from Flores' idea without requiring a complete

disclosure of Brown's idea. DSC also argues that disclosure of the idea is necessary "in order to properly litigate this case." See Motion at p. 5. Such a blanket statement, however, is insufficient for DSC to meet its burden of demonstrating that full disclosure is necessary for a fair trial. Finally, DSC argues that it needs full disclosure to determine whether Brown's idea is different from the investigations and developments engaged in by DSC. Again, there is simply no reason DSC cannot ask Brown questions in a deposition to enable it to answer this question without requiring full disclosure of Brown's trade secret. Simply put, DSC has failed to sustain its burden of showing that full disclosure of Brown's idea to DSC at the outset of the litigation is necessary for a fair trial. What DSC wants is not a fair trial, but a victory without a trial. By ordering Brown to fully disclose his idea to DSC before a jury has adjudicated ownership of the idea would severely prejudice Brown and would unjustly require him to disclose a privileged and confidential trade secret when disclosure is not necessary for a fair trial.

Finally, DSC states in its Motion that the secrecy of Brown's idea can be preserved through an appropriate protective order. See Motion at p. 6. This statement misses the point. While a protective order may shield the idea from third parties, no protective order will protect Brown from the effects of DSC's knowledge of the inner workings of his idea. DSC has stated in its Motion that its employees are hard at work trying to come up with Brown's solution on their own. See Motion at p. 6. Once DSC learns the details of Brown's idea, DSC could claim at some later date that DSC's engineers came up with the same idea through their own independent efforts. Brown would then be hard-pressed to prove that DSC did not develop the solution on its own rather than as a result of Brown's disclosure. While DSC will undoubtedly agree to erect a "Chinese wall" to protect against

disclosure of Brown's idea to those DSC employees working to develop the solution, Brown's idea is far too valuable to simply rely on DSC's word that it will not claim the idea as its own following disclosure. While not determinative of this dispute, it is interesting to note that DSC has previously been found by a jury to have misappropriated a trade secret from a supplier after signing a confidentiality agreement prohibiting DSC from making any use of the trade secret. *See Sokol Crystal Products, Inc. v. DSC Communications Corporation*, 15 F.3d 1427 (7th Cir. 1994). Given the value of Brown's idea, any need which DSC may have to discover the details of Brown's idea are outweighed by the risks inherent in such a disclosure. *See, e.g., Jampole v. Touchy*, 673 S.W.2d 569, 574 (Tex. 1984) ("a valid proprietary interest may justify denying or limiting discovery requested by a direct competitor"). For this reason, the Court should deny DSC's Motion to Compel.

**II. The Motion should be denied because the Interrogatory at issue is unduly burdensome.**

As stated above, Mr. Brown has testified that it would take him a month to simply write down the idea. Exh. B at p. 127. He has also testified that it would take 400 single spaced pages for him to document the idea on paper. *Id.* It would be unduly burdensome to require Brown to respond to an Interrogatory which would impose on him such a burden and expense. In essence, Brown would become an indentured servant of DSC for the next month. During that time, he would be unable to pursue gainful employment and would be unable to meet with his counsel as required to prepare for the trial of this case. This Court clearly recognized the burdensome nature of such a disclosure by inserting provisions into the temporary injunction which required DSC to pay Brown for his time and required disclosure only during normal business hours. Because the Interrogatory at issue is unduly burdensome, this Court should deny DSC's Motion to Compel. *See, e.g., K Mart*

*Corp. v. Sanderson*, 937 S.W.2d 429, 431 (Tex. 1996)(holding that trial court abused its discretion in compelling K Mart to answer unduly burdensome interrogatory).

**III. The Motion should be denied because the Interrogatory at issue seeks to force Brown to reveal that in which DSC cannot possibly have ownership.**

The Interrogatory at issue seeks to force Brown to “identify and describe in detail the ‘method of converting machine executable binary code into high level source code form using logic and data abstractions’ (hereinafter ‘Solution’), that is described in your April 19, 1996 memorandum to Larry Sewell.” The Solution described in that memo, however, was the culmination of years of research and development which began in 1975, more than ten years before Brown began working for DSC. *See* Exh. C at pp. 73-4; Exhs. D, E, F, G. These parts of the solution were developed while Brown was working for employers other than DSC. The only part of the process developed by Brown which was developed while he was employed by DSC was the sequencing of the parts of the solution which he had already discovered prior to working for DSC. *See* Exh. D at par. 11.

The Agreement upon which DSC bases its claims for relief herein allegedly gives DSC ownership interest in all “inventions made or conceived” by Brown “from the time of entering the Company’s employ” until he leaves. *See* Exh. D attached hereto. There is simply no basis to award DSC ownership rights in an idea which Brown conceived before he began working for DSC in 1987. Likewise, there is no basis to force Brown to disclose that to which DSC does not even arguably have a right to possess. To force Brown to divulge his entire idea to DSC -- including those parts of his idea conceived years before he began working for DSC -- would provide DSC greater relief than it can possibly obtain in this suit, would reveal a trade secret to DSC in which it cannot possibly have an ownership interest and would subject both DSC and Brown to potential claims by the

employers for whom Brown worked when he conceived the majority of his solution. In the event the Court decides to grant DSC's Motion, the Court should modify its Order so as to require Brown to disclose only that part of the Solution which was conceived by Brown while working for DSC and not those parts of the Solution conceived by Brown prior to that time.

**IV. DSC's Motion for Sanctions should be denied.**

DSC's Motion also seeks to impose sanctions on Brown despite DSC's marked lack of diligence in seeking the relief sought in its Motion. After DSC filed its first motion to compel, Brown pursued his right to appeal this Court's June 30, 1997 injunction. On January 6, 1998, the Court of Appeals denied the appeal. On February 11, 1998, the Court of Appeals denied Brown's Motion for Rehearing. From February 11, 1998 to the date of the filing of the instant Motion on or about November 13, 1998 -- a period of more than nine months -- DSC has done nothing to obtain the discovery sought in its Motion. In the nine months since Brown's Motion for Rehearing was denied, DSC has not sent a single letter to counsel for Brown seeking a response to the interrogatory at issue, has filed no pleadings whatsoever with this Court and has otherwise failed to seek a response to the interrogatory at issue. The only activity in the last nine months has been a letter sent from Brown's counsel to counsel for DSC regarding possible settlement of this case. Rather than respond to the letter, DSC filed the instant Motion. DSC's lack of diligence in seeking the relief sought in its Motion weighs heavily against the sanctions sought in the Motion.

Sanctions are also inappropriate for Brown's alleged refusal to answer the Interrogatory at issue for two additional reasons. First, the only Court order involving the Interrogatory at issue is this court's August 11, 1997 Order denying DSC's previous motion to compel a response to this

Interrogatory. To insinuate that Brown is violating a court order by failing to supplement his interrogatory answers simply misstates the state of the pleadings in this case. The request for sanctions should also be denied because DSC failed to confer with counsel for Brown before filing the instant Motion. While the Certificate of Conference vaguely states that counsel for DSC has attempted to resolve this dispute "on numerous occasions," the truth is that none of these "occasions" has been in the nine months since the Court of Appeals denied Brown's appeal. Prior to that time, Brown rightfully refused to answer the Interrogatory at issue since to do so would deprive him of his right to appeal this Court's injunction. This Court agreed, denying DSC's prior Motion to Compel by Order dated August 11, 1998. Prior to filing the instant Motion, counsel for DSC failed to confer with Brown's counsel as required by the local rules. For this additional reason, DSC's request for sanctions should be denied.

**PRAYER**

WHEREFORE, PREMISES CONSIDERED, Defendant Evan Brown respectfully requests that after hearing, this Court deny DSC's Motion to Compel Interrogatory Responses and for Sanctions in its entirety and grant Evan Brown such other and further relief to which he may be justly entitled.

Respectfully submitted,



**RICHARD A. SAYLES**

State Bar No. 17697500

**ERIC D. PEARSON**

State Bar No. 15690472

**SAYLES & LIDJI, P.C.**

**A Professional Corporation**

4400 Renaissance Tower

1201 Elm Street

Dallas, Texas 75270

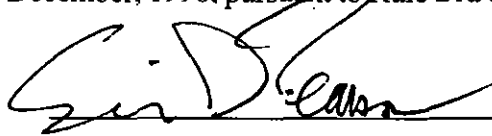
(214) 939-8700

(214) 939-8787 (fax)

Attorneys for Appellant

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing instrument has been served upon all counsel of record on this ~~20<sup>th</sup>~~ day of December, 1998, pursuant to Rule 21a of the Texas Rules of Civil Procedure.



DSC COMMUNICATIONS CORPORATION,

Plaintiff,

v.

EVAN BROWN,

Defendant.

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IN THE DISTRICT COURT OF

COLLIN COUNTY, TEXAS

219TH JUDICIAL DISTRICT

**AFFIDAVIT OF ERIC D. PEARSON**

STATE OF TEXAS §  
  §  
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this date personally appeared Eric D. Pearson who, being by me first duly sworn, upon his oath deposed and stated as follows:

1. My name is Eric D. Pearson. I am an attorney with the law firm of Sayles & Lidji and am one of the counsel of record for Defendant in the above-styled and numbered case. I have personal knowledge of the facts recited in this affidavit. My personal knowledge is derived from my position as one of the lawyers representing Defendant.

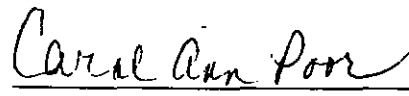
2. Attached as Exhibit A is a true and correct copy of excerpts from the Transcript of the April 30, 1997 hearing on Brown's Motion for Protective Order in this case. Attached hereto as Exhibit B is a true and correct copy of excerpts from the Transcript of the May 2, 1997 temporary injunction hearing in this case. Attached hereto as Exhibit C is a true and correct copy of excerpts from the May 1, 1997 Oral Deposition of Evan Brown taken in this case. Attached hereto as Exhibit

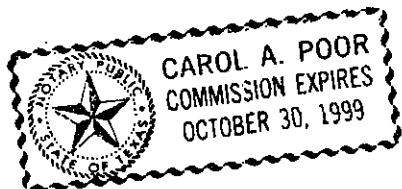
D is a true and correct copy of the Employee Patent, Copyright and Proprietary Information Agreement upon which DSC has based its claims herein.

FURTHER AFFIANT SAITH NOT.

  
ERIC D. PEARSON

Sworn and subscribed before me on this 15<sup>th</sup> day of December, 1998, to certify which witness my hand and seal of office.

  
Notary Public in and for the State of Texas



CAUSE NO. 199-00596-97

DSC COMMUNICATIONS CORPORATION ( IN THE DISTRICT COURT  
VERSUS ( COLLIN COUNTY, T E X A S  
EVAN BROWN ( 199TH JUDICIAL DISTRICT

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STATEMENT OF FACTS  
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A P P E A R A N C E S:

MR. MICHAEL LYNN  
MR. ERIC W. PINKER  
ATTORNEYS AT LAW  
Lynn Stodghill Melsheimer & Tillotson, L.L.P.  
750 N. St. Paul St., Suite 1400  
Dallas, Texas 75201  
214-981-3837

ATTORNEYS FOR PLAINTIFF

MR. DALE DRAKE  
ATTORNEY AT LAW  
McKinney, Texas

ATTORNEY FOR DEFENDANT

ALSO PRESENT:  
MR. JOHN STOOKESBERRY  
MR. WAYNE JONES

-----  
BE IT REMEMBERED that on the 30th day of April, 1997, the  
above styled and numbered cause came on for hearing before  
said HONORABLE JOHN R. ROACH, Judge presiding, and the  
following proceedings were had; to wit:

COPY

EXHIBIT

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SHERI J. VECERA, CSR/RPR - 199TH DISTRICT COURT

1 everything that has been said can relate to title, Debock Acre  
2 (phonetic) or Green Acre (phonetic) or whatever else, without  
3 regard -- just forget it's a computer problem for right now.

4 What we're trying to do is get it into court so we can  
5 address it, be fair to Mr. Brown, be fair to DSC, so your  
6 Honor and a jury ultimately will make a decision as to title.

7 Now, he's going to have to disclose it at some point  
8 during the course of the discovery.

9 If we patent it and we're wrong, at least it's patented,  
10 and we can assign it over to him.

11 But right now what is -- what is out there -- and we have  
12 reason to believe, I think he's told some of our folks, and  
13 this is in the affidavit -- he went to Europe and he was  
14 disclosing this to investors; the concept.

15 Lately we have received letters from a London based group  
16 that wants to use -- wants some of our computer programs to  
17 test a translation program.

18 This is maybe coincidental, maybe not, as a result of  
19 Mr. Brown visiting Europe.

20 If this is out, and if it is of the value that we're  
21 talking about -- and the values that have been discussed are  
22 in the \$100 million range -- it is something the Court needs  
23 to preserve.

24 Now, we have no interest in telling third-parties about  
25 it; we're interested in protecting it. Once we -- once it's

1 that are relevant here.

2 People spoke about preserving the idea; and that's, they  
3 gave it to you, to the Court, and the Court held it.

4 The problem is, that will not preserve the idea.

5 We have another vendor who is trying to develop an idea  
6 like this with some of our own code; an outfit that I believe  
7 is in the United Kingdom.

8 There are other people doubtless trying to come up with  
9 things like this.

10 There is a race to the patent office.

11 And, for example, in the United Kingdom -- outside the  
12 United States, the first person to file a patent on this owns  
13 the idea, whether or not Evan Brown invented it first.

14 So by simply presenting it to the Court, we're not going  
15 to preserve the asset.

16 Now, if indeed the asset is DSC's, it's up to DSC to  
17 choose whether they want to go forward and get a patent, or  
18 try and preserve this as some special trade secret and never  
19 get a patent on it. But that's really our choice to make,  
20 once we understand the property here. We can decide which one  
21 is best for the -- for whoever owns it.

22 And, additionally, the point that we have sat on it for a  
23 year is -- is a littl' troubling, because we insisted when  
24 this first happened last -- a year ago now -- that Evan go  
25 ahead and disclose it to us, and pointed out his contract, and

CAUSE NO. 199-00596-97

DSC COMMUNICATIONS CORPORATION ( IN THE DISTRICT COURT  
VERSUS ( COLLIN COUNTY, T E X A S  
EVAN BROWN ( 199TH JUDICIAL DISTRICT

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STATEMENT OF FACTS  
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A P P E A R A N C E S:

MR. MICHAEL LYNN  
MR. ERIC W. PINKER  
ATTORNEYS AT LAW  
Lynn Stodghill Melsheimer & Tillotson, L.L.P.  
750 N. St. Paul St., Suite 1400  
Dallas, Texas 75201  
214-981-3837

ATTORNEYS FOR PLAINTIFF

MR. STEVEN E. ALDOUS  
ATTORNEY AT LAW  
Sayles & Lidji  
4400 Renaissance Tower  
1201 Elm Street  
Dallas, Texas 75270  
214-939-8700

ATTORNEY FOR DEFENDANT

MR. DALE DRAKE  
ATTORNEY AT LAW  
McKinney, Texas 75069  
972-548-0800

ATTORNEY FOR DEFENDANT

-----  
BE IT REMEMBERED that on the 2nd day of May, 1997, the  
above styled and numbered cause came on for hearing before  
said HONORABLE JOHN R. ROACH, Judge presiding, and the  
following proceedings were had; to wit:

EXHIBIT

B

1 the ownership issue; let's just see if we can work out a deal?

2 A. I believe I'm the one that stated, says, if we can  
3 come to a deal, then ownership isn't an issue to me.

4 Q. Did anybody at DSC ever say that to you?

5 A. Not that I recall.

6 Q. Now, I'd like to go to the idea itself.

7 You have nothing tangible -- nothing that reduces your  
8 idea to any kind of tangible medium. Is that accurate?

9 A. It's just in my brain.

10 Q. So what I said is accurate?

11 A. Your -- it is -- it's true.

12 Q. You haven't written it down somewhere?

13 A. No.

14 Q. You haven't entered it into a computer?

15 A. No.

16 Q. You haven't dictated it into a dictaphone?

17 A. No.

18 Q. Now, the only place it exists is in your head. Is  
19 that right?

20 A. Correct.

21 Q. If you were to divulge the idea, about what would it  
22 entail?

23 A. The proposal that I had made would take me about  
24 twelve to four months (sic) to write, and probably four months  
25 to debug.

1       So just to sit down and write it down or document it such  
2 that I could hand it to an experienced programmer to take  
3 would probably, oh, take me a month; probably 400 pages or so.

4       Q.    Let me ask you, is your -- the idea in your head so  
5 clear to you that only ordinary skill would be necessary to  
6 reduce it to a actual product that can be used in practice?

7       A.    No.  It would take a whole lot more than ordinary  
8 skill.

9       Q.    Do you have -- although you have confidence, let me  
10 ask you in a different way.

11       Do you have any assurance that your idea will actually  
12 work?

13       A.    There's no assurance.  I think that's why DSC came  
14 back and wanted to do it on, you know, a review period to see  
15 how the progress went.

16       Q.    How long would it be before your idea -- and assuming  
17 that everything works -- would become an actual tangible thing  
18 that can be used in practice?

19       A.    A minimum would be 18 months.

20       Q.    Would that involve some additional research and  
21 changes to your idea, potentially?

22       A.    Oh, yeah.  It's a development.  I'm going to have to  
23 debug it.  There's always something is going to occur that you  
24 have to fix.

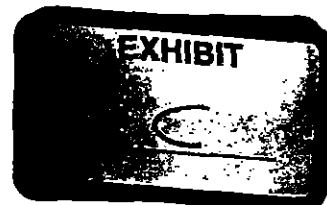
25       Q.    Now, when you say debug it, that means you have to

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DSC COMMUNICATIONS ) IN THE DISTRICT COURT  
CORPORATION )  
VS. ) COLLIN COUNTY, TEXAS  
EVAN BROWN ) 199TH JUDICIAL DISTRICT

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VIDEOTAPED  
ORAL DEPOSITION OF  
EVAN BROWN  
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ANSWERS AND DEPOSITION OF EVAN BROWN,  
produced as a witness at the instance of the  
Plaintiff taken in the above-styled and -numbered  
cause on the 1st day of May, A.D., 1997, at 2:02  
o'clock p.m., before CHARIS M. HENDRICK, a Certified  
Shorthand Reporter in and for the State of Texas, in  
the offices of Lynn, Stodghill, Melsheimer &  
Tillotson, located at 750 N. St. Paul, Suite 1450,  
in the City of Dallas, County of Dallas and State of  
Texas, in accordance with the Texas Rules of Civil  
Procedure.



1 had already been conceived by you as of March of  
2 1986?

3 MR. ALDOUS: Objection. That assumes  
4 facts not in evidence.

5 A I have been working on the problem since  
6 1975. The final piece of the puzzle was solved  
7 while employed at DSC.

8 Q (By Mr. Pinker) When?

9 A March of 1986.

10 MR. ALDOUS: 19 what?

11 A I am sorry. 1996.

12 Q (By Mr. Pinker) Is it your testimony,  
13 then, that you had been working on the issue but as  
14 of March 1986 had not basically developed a solution  
15 to the problem?

16 MR. ALDOUS: Did you say '96 or '86?

17 MR. PINKER: I am sorry. Let me  
18 rephrase it. I thought I said '86. Let me make  
19 sure I get it right.

20 Q (By Mr. Pinker) Is it your testimony, sir,  
21 that you had been working on what you have described  
22 as the problem since 1975, but as of March 1986 you  
23 had not yet come up with a solution or an answer to  
24 the problem?

25 A I had not come up with a complete solution.

1 Q Would -- would your term "complete  
2 solution" be the same as a workable solution?

3 A It was workable, but required a lot of  
4 labor to finish the last part. And I found out how  
5 to automate it. I figured out the last piece of the  
6 puzzle.

7 Q How did you find out how to automate it?

8 A I continued to think and work on the  
9 problems.

10 Q What is the problem that you were working  
11 on since 1975? How would you phrase that?

12 A It was a -- the problem was introduced by a  
13 friend of mine who was working for El Paso Natural  
14 Gas. The problem they had was a piece of code for  
15 hardware that no longer existed, so they had to run  
16 an emulator to run this old application. I asked  
17 him why they didn't rewrite it, they said the code  
18 no longer exists in source form.

19 Q What do you mean by no longer exists in  
20 source one?

21 A It no longer existed in source form.

22 Q What is source form?

23 A Man readable.

24 MR. ALDOUS: It sounded like you said  
25 eatable.

1 Q This is storing off-site basically?  
2 A Yes.  
3 Q Any other electronic data storage other  
4 than hard drive, floppy disk, tape drive and NSF?  
5 A No.  
6 Q In what formats is your solution written  
7 down?  
8 A It is not written down.  
9 Q You have saved no parts of the solution to  
10 any electronic data format?  
11 A Correct. Other than what is stated here in  
12 this paragraph.  
13 Q Other than the various documents you  
14 exchanged with DSC, have you written it down in any  
15 format?  
16 A No.  
17 Q Ever?  
18 A No.  
19 Q Have you ever stored it on computer or in  
20 any electronic format?  
21 A No.  
22 Q Why not?  
23 A By choice.  
24 Q Have you chosen not to write it down in any  
25 format?

1           A     Yes.

2           Q     About how much value do you think it would  
3 have?

4           A     I believe it has got a value in excess of a  
5 billion dollars to DSC.

6           Q     Is that in terms of both sales abroad as  
7 well as savings internally?

8           A     That was based solely on internal savings.

9           Q     Over one billion dollars?

10          A     I believe it is in excess of 3200 man years  
11 based off of the effort that Levi Tar -- so it is an  
12 extrapolated number.

13          Q     Based on what you and Mr. Levi.Tar  
14 discussed in the hallway?

15          A     Yes.

16          Q     You have never checked his numbers, have  
17 you?

18          A     No.

19          Q     And independently you don't have any  
20 knowledge of whether his numbers are right or wrong?

21          A     No.

22          Q     And this, of course, is the value not even  
23 counting potential sales, correct?

24          A     This was strictly labor.

25          Q     Have you ever estimated the value in terms

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STATE OF TEXAS \*\*

CGUNTY OF DALLAS \*\*

I, CHARIS M. HENDRICK, Certified  
Shorthand Reporter in and for the State of Texas, do  
hereby certify that the proceedings made before me  
by EVAN BROWN on the 1st day of May, 1997, at 2:02  
o'clock p.m., after said witness had been first duly  
cautioned and sworn to testify the truth, the whole  
truth and nothing but the truth, and were thereafter  
reduced to typewriting by me and under my  
supervision, same to be sworn to and subscribed by  
said witness by any notary public.

I further certify the above and  
foregoing deposition as set forth in typewriting is  
a full, true, correct and complete transcript of the  
proceedings had at the time of taking said  
deposition.

Given under my hand and seal of office on  
this 1st day of May, A.D., 1997.

  
CHARIS M. HENDRICK, CSR # 3469  
Certification Expires: 12-31-98  
7015 Mumford  
Dallas, Texas 75252

DSC COMMUNICATIONS  
CORPORATION,

Plaintiff,

v.

EVAN BROWN,

Defendant.

§ IN THE DISTRICT COURT OF  
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§ COLLIN COUNTY, TEXAS  
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§ 219TH JUDICIAL DISTRICT

**AFFIDAVIT OF EVAN BROWN**

STATE OF TEXAS §  
§  
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this date personally appeared Evan Brown who, being by me first duly sworn, upon his oath deposed and stated as follows:

1. My name is Evan Brown. I am the Defendant in the above-captioned case. I am over 21 years of age, have never been convicted of a felony or a crime of moral turpitude and am otherwise competent to make this Affidavit. I have personal knowledge of the facts recited in this Affidavit, and they are all true and correct.

2. From 1970 to 1978, I was an undergraduate student at Texas A&M University and received a Bachelors of Science degree in Computer Science in 1978. While attending Texas A&M University, I worked as a computer programmer for several university departments including the Data Processing Department (Computer Operator), Civil Engineering (Student Programmer for Dr. Ed Martinez), Texas Petroleum Research Center (Student Programmer for Dr. Paul Crawford), Physics Department (Student Programmer for Dr. George Katawar) and Mechanical Engineering Department



(Student Programmer for Dr. Swiki Anderson). Since my graduation, I have been employed by the Texas Engineering Extension Service as a programmer for the Center for Energy and Mineral Resources at Texas A&M University, Swiki Anderson Consulting, Texas Instruments, Time Energy Systems, Evan Brown Consulting and DSC Communications.

3. During my employment at Texas A&M University as a Student Programmer, I converted computer programs written in Control Data Corporation (CDC) Fortran to run on a IBM 360/65 OS-Rel-21 mainframe computer and later to Amdahl 470 SVS mainframe computer. I also converted Univac COBOL to IBM/Amdahl COBOL and later to IBM's PL/I programming language. Part of my work for Dr. Paul Crawford included re-writing a CDC Fortran program (BLKSOLV4) into IBM Assembly language to expand computational capacity, greatly reduce computation time and improve computational accuracy. Part of my work for the Mechanical Engineering Department under the direction of Dr. Swiki Anderson included converting the NECAP program written in CDC Fortran to IBM Fortran, integrating the NECAP with NBSLD program and writing an IBM Assembly Language front end to handle input data processing. My work on the NBSLD and NECAP programs was shared with the US Air Force Academy and required me to convert the programs back and forth between IBM and Borroughs. To help automate the conversion process between CDC, Univac, Borroughs and IBM computers, I wrote several conversion utilities in PL/I and IBM Assembly to handle the common conversion problems, leaving me to finish the final conversion problems by hand.

4. During a trip to El Paso in 1976, Jack Coats, who was working for El Paso Natural Gas Co. as a computer programmer, mentioned that their mainframe computer was busy running a simulator for an obsolete computer program. When I asked why they didn't just re-write the software

for the obsolete computer program, Jack informed me that the obsolete computer program had passed extensive State Audits and his company didn't want to go through the time and expense of re-writing the computer program and going through the audit process again. This conversion planted the seed to my idea to automatically convert old obsolete computer programs into modern computer programming languages. I recognized the usefulness of my idea, but lacked the resources to develop and implement my idea at that time. I continued to re-think my idea over the years and try to find a way to implement my idea on my own.

5. During my employment at the Center for Energy and Mineral Resources (1978-1979) working under the direction of Dr. Swiki Anderson, I worked on the conversion of the "Building Loads and System Thermodynamics" (BLAST) program from the Civil Engineering Research Laboratory (CERL) in Champaign, Illinois which was written on a CDC Cyber 7600 computer in Fortran. The CERL software developers used a great deal of CDC Cyber 7600 machine dependent hardware code to improve performance. The machine dependent hardware code was not compatible with the IBM hardware and manual conversion of the code was not practical. I wrote an IBM PL/I program to convert the machine dependent hardware code from the CDC Cyber 7600 to IBM compatible code. Funding was terminated before the IBM PL/I conversion program was completed.

6. During my employment with Texas Instruments (1981-1983), I worked for the Energy Management Group under the direction of Kirby Nelson. I performed data collection and ran numerical simulation to evaluate energy savings. I also worked with the group to design and install control systems to help reduce energy consumption. While working with the control systems, I experimented with converting the machine executable code of the PM-550 (TI programmable

controller) to the BASIC programming language. The conversion worked but TI never developed a controller that used the BASIC programming language so I dropped my conversion effort.


7. During my employment with Time Energy Systems (1983-1985), I worked under the direction of Tom Bell and with Roger Ansted to program industrial controllers. My work included the development of software/firmware for a Zilog (Z80) microprocessor controllers. The software/firmware I developed for the EIL controller hardware included a real time operating system, a BASIC programming language interpreter, upload/download facilities, alarm controls, modem control, reporting and diagnostics. I was able to utilize parts of my conversion idea in my implementation of the imbedded BASIC interpreter.

8. As an independent consultant (1985-1987), I designed, built and programmed a single board Z80 microprocessor controller to control ice making machines for Turbo Refrigeration. I implemented a BASIC interpreter with specific functions to control refrigeration equipment. This implementation also utilize parts of my conversion idea.

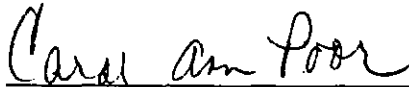
9. I was hired by DSC Communications on April 21, 1987 into the position of Senior Member Technical Staff under the direction of Jinx Smith. My job assignment was to maintain the "Fault Isolation and Test" (FISO) subsystem of the Signal Transfer Point (STP) product. The FISO subsystem software was written entirely in Zilog Z8000 assembly language using cross development tools on a Digital Equipment Corporation VAX computer cluster. DSC hired me as an assembly language programmer to develop and maintain the FISO subsystem for the STP product and for no other stated purpose.

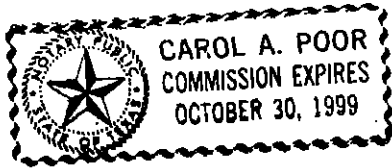
10. At no time during my employment with DSC was I assigned the job or task of developing a computer program to convert machine executable code to high level source. Prior to

FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
EVAN BROWN

Sworn and subscribed before me on this 1 day of December, 1998, to certify which witness my hand and seal of office.

  
\_\_\_\_\_  
Notary Public in and for the State of Texas



CAUSE NO. 199-596-97

DSC COMMUNICATIONS CORPORATION,

Plaintiff,

v.

EVAN BROWN,

Defendant.

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IN THE DISTRICT COURT OF

COLLIN COUNTY, TEXAS

219TH JUDICIAL DISTRICT

**AFFIDAVIT OF ROGER ANSTED**

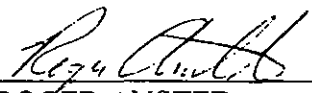
STATE OF TEXAS §  
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COUNTY OF FORT BEND §

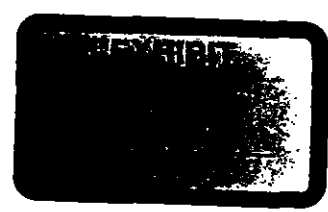
BEFORE ME, the undersigned authority, on this date personally appeared Roger Ansted who, being by me first duly sworn, upon his oath deposed and stated as follows:

1. My name is Roger Ansted. I am over 21 years of age, have never been convicted of a felony or a crime of moral turpitude and am otherwise competent to make this Affidavit. I have personal knowledge of the facts recited in this Affidavit, and they are all true and correct.

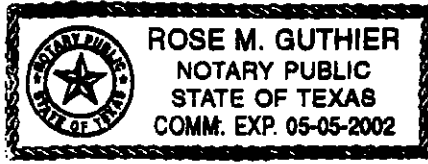
2. From <sup>1983 to 1985</sup> ~~1982 to 1983~~, I was employed by Time Energy Systems in Houston, Texas. Evan Brown was a co-worker of mine. During the time that we worked together, Evan Brown was involved in the conversion of software codes. Software conversion which Mr. Brown worked on included conversions from Basic to Assembly Language and vice-versa.

FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
ROGER ANSTED



Sworn and subscribed before me on this 27<sup>th</sup> day of November, 1998, to certify which witness my hand and seal of office.



Rose M Guthier  
Notary Public in and for the State of Texas

CAUSE NO. 199-596-97

DSC COMMUNICATIONS CORPORATION,

Plaintiff,

v.

EVAN BROWN,

Defendant.

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IN THE DISTRICT COURT OF

COLLIN COUNTY, TEXAS

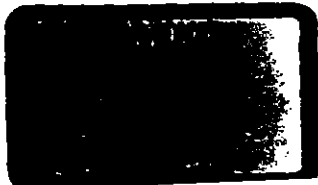
219TH JUDICIAL DISTRICT

**AFFIDAVIT OF JACK COATS**

STATE OF TEXAS §  
COUNTY OF Lewis §  
§

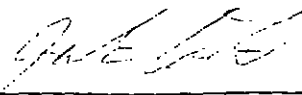
BEFORE ME, the undersigned authority, on this date personally appeared Jack Coats who, being by me first duly sworn, upon his oath deposed and stated as follows:

1. My name is Jack Coats. I am over 21 years of age, have never been convicted of a felony or a crime of moral turpitude and am otherwise competent to make this Affidavit. I have personal knowledge of the facts recited in this Affidavit, and they are all true and correct.
2. From 1970 to 1974, I was a student worker at Texas A&M University, working as a computer programmer. During that time period, Evan Brown worked with me as a computer programmer. As part of his work, Evan Brown was involved in numerical modeling and in the conversion of software codes. Software conversion which Mr. Brown worked on included conversions from Cobol to Assembly Language, conversions from CDC Fortran to IBM Fortran and conversions to and from PL/1.
3. In 1976, my employer at the time, El Paso Natural Gas Company, was having problems simulating obsolete computer hardware in order to execute some old critical software. As




a result of this problem, Evan Brown and I discussed the problem of converting executable computer code to a high level language.

FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
JACK COATS

Sworn and subscribed before me on this 30<sup>th</sup> day of November, 1998, to certify which witness my hand and seal of office.

  
\_\_\_\_\_  
Notary Public in and for the State of Texas



DSC COMMUNICATIONS CORPORATION,

Plaintiff,

v.

EVAN BROWN,

Defendant.

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IN THE DISTRICT COURT OF

COLLIN COUNTY, TEXAS

219TH JUDICIAL DISTRICT

**AFFIDAVIT OF SWIKI ANDERSON**

STATE OF TEXAS §  
COUNTY OF Brazos §

BEFORE ME, the undersigned authority, on this date personally appeared Swiki Anderson who, being by me first duly sworn, upon his oath deposed and stated as follows:

1. My name is Swiki Anderson. I am over 21 years of age, have never been convicted of a felony or a crime of moral turpitude and am otherwise competent to make this Affidavit. I have personal knowledge of the facts recited in this Affidavit, and they are all true and correct.

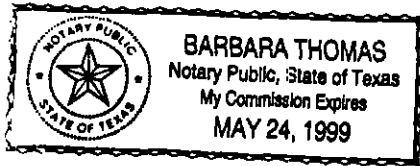
2. From 1975 to 1980, I was employed on the faculty of the mechanical engineering department at Texas A&M University. During that time period, Evan Brown worked for me as a computer programmer. As part of his work for me, Evan Brown was involved in numerical modeling and in the conversion of software codes. Software conversion which Mr. Brown worked on included conversions from Cobol to Assembly Language, conversions from CDC Fortran to IBM Fortran and conversions from PL/1 to IBM Assembly Language, Fortran and Cobol and vice-versa.



FURTHER AFFIANT SAITH NOT.

Swiki A. Anderson  
SWIKI ANDERSON

Sworn and subscribed before me on this 25<sup>th</sup> day of November, 1998, to certify which witness my hand and seal of office.



Barbara Thomas.  
Notary Public in and for the State of Texas

NOTICE: THIS OPINION HAS NOT BEEN  
RELEASED FOR PUBLICATION IN THE  
PERMANENT LAW  
REPORTS. UNTIL RELEASED, IT IS SUBJECT  
TO REVISION OR WITHDRAWAL.

In re CONTINENTAL GENERAL TIRE, INC.,  
Relator.

No. 98-0125.

Supreme Court of Texas.

Decided Nov. 12, 1998.

Argued Oct. 22, 1998.

ON PETITION FOR WRIT OF MANDAMUS

PHILLIPS, Chief Justice, delivered the opinion of  
the Court, in which GONZALEZ, HECHT,  
ENOCH, SPECTOR, OWEN, BAKER and  
ABBOTT, Justices, join.

\*1 Under our rules of evidence, a party has a  
privilege to refuse to disclose its trade secrets "if the  
allowance of the privilege will not tend to conceal  
fraud or otherwise work injustice." See Tex.R.  
Evid. 507. The issue is whether Rule 507 protects  
from discovery a tire manufacturer's chemical  
formula for its "skim stock," a rubber compound  
used in tire manufacturing. The trial court ordered  
the manufacturer to produce the formula under a  
protective order, and the court of appeals denied the  
manufacturer's requested mandamus relief without  
opinion. We hold that, when a party resisting  
discovery establishes that the requested information  
is a trade secret under Rule 507, the burden shifts to  
the requesting party to establish that the information  
is necessary for a fair adjudication of its claim or  
defense. Because relator established that the formula  
was a trade secret, and because the real party in  
interest did not meet its burden of establishing  
necessity, we conditionally grant mandamus relief.  
Nothing in the relief we grant prohibits plaintiffs  
from seeking to discover the formula under the  
procedure we set forth.

I

While Kenneth Fisher was driving his pick-up truck

on Highway 190, his left front tire blew out, causing  
him to lose control of the vehicle. Fisher's truck  
crossed the median and struck Dora Pratt's car,  
killing Pratt and her passenger. Pratt's heirs, Luz  
Enid Rivera, Brenda Beatriz Killens, Gilberto  
DeJesus Cruz, Dora Maria Cruz, and Toribio  
Nieves, filed the underlying products liability action  
against Continental General Tire, the manufacturer  
of the failed tire.

It is undisputed that the tire failed because its tread  
and outer belt separated from the inner belt. The  
belts are made from brass-coated steel cords encased  
in a skim-stock rubber compound. These belts,  
along with the other tire components, are assembled  
into a "green tire," to which heat and pressure are  
applied in a process called "vulcanization." This  
process causes the components in the tire, including  
the skim stock, to chemically bond with each other.  
Plaintiffs contend that either a design or  
manufacturing defect in the skim stock prevented the  
belts of Fisher's tire from properly bonding. To  
secure evidence to prove this claim, plaintiffs  
requested Continental to produce the chemical  
formula for the skim stock used on this tire.

Continental objected, claiming that the formula is a  
trade secret that Texas Rule of Evidence 507  
protects. After a hearing, the trial court ordered  
Continental to produce the formula, subject to a  
protective order which the trial court had earlier  
entered for other confidential material produced by  
Continental.

The trial court stayed its order pending  
Continental's efforts to obtain mandamus review.  
After the court of appeals denied relief, we granted  
Continental's mandamus petition and heard oral  
argument.

II

Continental claims that the skim-stock formula is  
protected by Texas Rule of Evidence 507, which  
provides in full:

\*2 A person has a privilege, which may be  
claimed by the person or the person's agent or  
employee, to refuse to disclose and to prevent  
other persons from disclosing a trade secret owned  
by the person, if the allowance of the privilege  
will not tend to conceal fraud or otherwise work



injustice. When disclosure is directed, the judge shall take such protective measure as the interests of the holder of the privilege and of the parties and the furtherance of justice may require.

Tex.R. Evid. 507. This rule, adopted in 1983, is based on Supreme Court Standard 508, a proposed rule of evidence promulgated by the United States Supreme Court in 1969. See 3 McLaughlin, Weinstein's Federal Evidence § 508.01, at 508-5 (2d ed.1998); Preliminary Draft of Proposed Rules of Evidence for the United States District Courts and Magistrates, 46 F.R.D. 161, 270 (1969). Although Congress did not adopt Standard 508 as a federal rule of evidence, see McLaughlin, *supra* at 508-5, twenty states, including Texas, have adopted some version of it. [FN1]

This Court has never addressed the scope of Rule 507. Moreover, of the other jurisdictions adopting Supreme Court Standard 508, only two have directly considered its scope. See *Bridgestone/Firestone v. Superior Court*, 7 Cal.App.4th 1384, 9 Cal.Rptr.2d 709 (Cal.Ct.App.1992); *Rare Coin-It, Inc. v. I.J.E., Inc.*, 625 So.2d 1277 (Fla.Ct.App.1993).

In *Bridgestone/Firestone*, the plaintiffs sued the tire manufacturer for wrongful death caused by a tire failure. Claiming that belt separation caused the tire failure, the plaintiffs sought to discover defendant's compound formula. Defendant asserted California's trade secret privilege, which is virtually identical to our Rule 507. See Cal. Evid.Code § 1060. The trial court ordered defendant to produce the formula, and defendant sought interlocutory review.

The court of appeals, in analyzing the rule, first noted that a requesting party must establish more than mere relevance to discover trade secrets, or the statutory privilege would be "meaningless." 9 Cal.Rptr.2d at 712. "Allowance of the trade secret privilege may not be deemed to 'work injustice' within the meaning of Evidence Code section 1060 simply because it would protect information generally relevant to the subject matter of an action or helpful to preparation of a case." *Id.* Rather, to show "injustice," the party seeking to discover a trade secret

must make a prima facie, particularized showing that the information sought is relevant and necessary to the proof of, or defense against, a material element of one or more causes of action presented in the case, and that it is reasonable to

conclude that the information sought is essential to a fair resolution of the lawsuit.

\*3 *Id.* at 713. The court perceived this as a balancing process, in which the trial court must weigh the interests of both sides and "must necessarily consider the protection afforded the holder of the privilege by a protective order as well as any less intrusive alternatives to disclosure proposed by the parties." *Id.* Applying these principles, the court noted that plaintiffs' expert, although averring generally that the formula could assist him in determining a defect, did not "describe with any precision how or why the formulas were a predicate to his ability to reach conclusions in the case." *Id.* at 716. The court thus determined that the information, although perhaps useful, was not necessary to the plaintiffs' claim. The court consequently denied the discovery.

Similarly, in *Rare Coin-It*, the court was called upon to interpret section 90.506 of the Florida Statutes, a trade secret privilege identical to ours. The court held:

When trade secret privilege is asserted as the basis for resisting production, the trial court must determine whether the requested production constitutes a trade secret; if so, the court must require the party seeking production to show reasonable necessity for the requested materials. 625 So.2d at 1278. [FN2] See also *Inrecon v. Village Homes at Country Walk*, 644 So.2d 103, 105 (Fla.Ct.App.1994).

The approach adopted in California and Florida is consistent with the federal courts' treatment of trade secrets. Although Congress did not adopt Supreme Court Standard 508, the federal rules nonetheless allow a court, in the discovery context, to "make any order which justice requires to protect a party or person from ... undue burden or expense, including ... that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a designated way...." Fed.R.Civ.P. 26(c)(7). Federal courts applying this rule recognize that "[t]here is no absolute privilege for trade secrets and similar confidential information." *Federal Open Mkt. Comm. v. Merrill*, 443 U.S. 340, 362, 99 S.Ct. 2800, 61 L.Ed.2d 587 (1979) (quoting 8 *Wright & Miller, Federal Practice and Procedure* § 2043, at 300 (1970)); see also *Centurion Indus. v. Warren Steurer & Assocs.*, 665 F.2d 323, 325 (10th

Cir.1981); National Util. Serv., Inc. v. Northwestern Steel & Wire Co., 426 F.2d 222, 227 (7th Cir.1970); A.H. Robins Co. v. Fadely, 299 F.2d 557, 561 (5th Cir.1962); Kleinerman v. United States Postal Serv., 100 F.R.D. 66, 69 (D.Mass.1983); 6 Moore's Federal Practice § 26.46[16], at 26.144 (3d ed.1998). Rather, federal courts apply a balancing test with shifting burdens, comparable to that articulated by the California appellate court in Bridgestone/Firestone.

\*4 In federal court, the party resisting discovery must establish that the information sought is indeed a trade secret and that disclosure would be harmful. The burden then shifts to the requesting party to establish that the information is "relevant and necessary" to his or her case. If the trial court orders disclosure, it should enter an appropriate protective order. See generally 8 WRIGHT & MILLER, FEDERAL PRACTICE & PROCEDURE § 2043 (1994); see also, e.g., American Standard, Inc. v. Pfizer Inc., 828 F.2d 734, 740-41 (Fed.Cir.1987); Heat & Control, Inc. v. Hester Indus., 785 F.2d 1017, 1025 (Fed.Cir.1986); Centurion Indus. v. Warren Steurer & Assocs., 665 F.2d 323, 325 (10th Cir.1981); In re Independent Serv. Org. Antitrust Litig., 162 F.R.D. 355, 356 (D.Kan.1995); Exxon Chem. Patents, Inc. v. Lubrizol Corp., 131 F.R.D. 668, 671 (S.D.Tex.1990); Culligan v. Yamaha Motor Corp., 110 F.R.D. 122, 125 (S.D.N.Y.1986). Cf. Kleinerman v. United States Postal Serv., 100 F.R.D. 66, 69 (D.Mass.1983) (discovery of trade secrets required where "the issues cannot be fairly adjudicated unless this information is available") (quoting Melori Shoe Corp. v. Pierce & Stevens, Inc., 14 F.R.D. 346, 347 (D.Mass.1953)); Duplan Corp. v. Deering Milliken, Inc., 397 F.Supp. 1146, 1185 (D.S.C.1974) ("[T]he courts are loath to order disclosure of trade secrets absent a clear showing of an immediate need for the information requested.") (quoting 4 MOORE'S FEDERAL PRACTICE, ¶ 26.60[4], at 242-45 (2d ed.1970)).

This is ultimately a balancing test, in which the trial court must weigh all pertinent facts and circumstances. See Wright & Miller, § 2043 at 559 ("[T]he burden is on the party seeking discovery to establish that the information is sufficiently relevant and necessary to his case to outweigh the harm disclosure would cause to the person from whom he is seeking the information."). See also Centurion

Indus., 665 F.2d at 325 ("The district court must balance the need for the trade secrets against the claim of injury resulting from disclosure.").

### III

Our trade secret privilege seeks to accommodate two competing interests. First, it recognizes that trade secrets are an important property interest, worthy of protection. Second, it recognizes the importance we place on fair adjudication of lawsuits. See PRELIMINARY DRAFT OF PROPOSED RULES OF EVIDENCE, Advisory Committee's Note to Rule 5-08, 46 F.R.D. at 271 ("The need for accommodation between protecting trade secrets, on the one hand, and eliciting facts required for full and fair presentation of a case, on the other hand, is apparent."). Rule 507 accommodates both interests by requiring a party to disclose a trade secret only if necessary to prevent "fraud" or "injustice." Stated alternatively, disclosure is required only if necessary for a fair adjudication of the requesting party's claims or defenses.

\*5 We therefore hold that trial courts should apply Rule 507 as follows: First, the party resisting discovery must establish that the information is a trade secret. The burden then shifts to the requesting party to establish that the information is necessary for a fair adjudication of its claims. If the requesting party meets this burden, the trial court should ordinarily compel disclosure of the information, subject to an appropriate protective order. [FN3] In each circumstance, the trial court must weigh the degree of the requesting party's need for the information with the potential harm of disclosure to the resisting party.

### IV

Before applying Rule 507 to the facts of this case, we consider various arguments the parties and amicus curiae raise.

### A

Plaintiffs first argue that our decisions in Jampole v. Touchy, 673 S.W.2d 569 (Tex.1984), and Garcia v. Peebles, 734 S.W.2d 343 (Tex.1987), require Continental to produce the skim-stock formula. In Jampole, a products liability defendant objected to producing its assembly diagrams and instructions,

contending that the documents were trade secrets. See 673 S.W.2d at 574. After the trial court denied discovery, this Court granted conditional mandamus relief compelling production. The Court reasoned:

Although a valid proprietary interest may justify denying or limiting discovery requested by a direct competitor, *Automatic Drilling Machines, Inc. v. Miller*, 515 S.W.2d 256 (Tex.1974), this is not such a case. Jampole is not [the defendant's] business competitor, and [the defendant] acknowledged that, if the documents were relevant, any proprietary interest could be safeguarded by a protective order. Under these circumstances, it was an abuse of discretion for the trial court to deny discovery of the assembly documents. We do not decide whether [the defendant] has shown a sufficient proprietary interest to justify a protective order. We hold that discovery cannot be denied because of an asserted proprietary interest in the requested documents when a protective order would sufficiently preserve that interest.

*Id.* at 574-75 (emphasis supplied). According to plaintiffs, Jampole stands for the proposition that, in actions that are not between business competitors, the trial court should always require production of relevant trade secrets, subject to an appropriate protective order. Cf. *Federal Open Market Committee v. Merrill*, 443 U.S. 340, 362 n. 24, 99 S.Ct. 2800, 61 L.Ed.2d 587 (1979) ("Actually, orders forbidding any disclosure of trade secrets or confidential commercial information are rare. More commonly, the trial court will enter a protective order restricting disclosure to counsel or to the parties." (citations omitted)). This approach, however, would render the Rule 507 privilege meaningless in noncompetitor cases. Notably, the Court in Jampole did not consider Rule 507's effect, presumably because the defendant acknowledged that "any proprietary interest could be safeguarded by a protective order." 673 S.W.2d at 574. Jampole thus cannot be read as limiting the privilege's scope.

\*6 Garcia likewise does not speak to the scope of Rule 507. The issue there was not whether trade secret documents should be produced, but rather the scope of the protective order accompanying the production. See 734 S.W.2d at 345. As in Jampole, the Court did not consider or apply Rule 507.

Next, plaintiffs argue that a party requesting trade secret documents in a products liability case must

show only that the information is relevant to the suit. However, because relevance is the standard for discovery in general, see Tex.R. Civ. P. 166b(2)(a), this approach likewise would render Rule 507 meaningless. See *Bridgestone/Firestone*, 9 Cal.Rptr.2d at 712. Rule 507 clearly contemplates a heightened burden for obtaining trade secret information.

Finally, plaintiffs argue that because Continental originally sought the confidentiality order for the protection of other documents, Continental has implicitly conceded that the protective order will adequately protect the skim-stock formula as well. However, that Continental was willing to produce certain information under a protective order does not mean that Continental has waived its right to assert Rule 507 about other information which it may regard as more competitively sensitive or less necessary for the plaintiffs' case.

#### B

Continental and amicus curiae Product Liability Advisory Council present three other arguments about why production is not required in this case.

Continental first argues that, in general, a protective order can never adequately protect a sensitive trade secret because there is always the risk that the receiving party will either deliberately or inadvertently disclose the information. For example, Continental argues that if Robert Ochs, the plaintiffs' expert witness, learns the skim-stock formula, he will be more in demand as an expert witness in other cases, creating incentive for him to disclose the formula. Continental appears to be arguing that the risk of disclosure justifies an absolute trade secret privilege. However, Rule 507 does not support such an approach. It requires production if necessary to prevent fraud or injustice. Of course, the trial court should consider any potential inadequacies of the protective order in weighing the competing interests of the parties under Rule 507. See *Bridgestone/Firestone*, 9 Cal.Rptr.2d at 713. This is especially true when the trial court has specific, fact-based grounds for believing that trade secrets may be disclosed in violation of its protective order.

Continental next argues that Texas Rule of Civil Procedure 76a may render any protective order for



component of the skim stock or whether it was a foreign material improperly introduced during manufacture. Regardless of whether this theory might otherwise justify discovery of the compound formula, an issue on which we express no opinion, plaintiffs presented no evidence supporting this theory to the trial court. Under these circumstances, given the highly proprietary nature of the information, the plaintiffs have not carried their burden under Rule 507 of demonstrating that the information is necessary for a fair trial.

\*8 We accordingly conclude that the trial court abused its discretion. Because the trial court has ordered Continental to produce privileged, trade secret information, Continental has no adequate remedy by appeal. See *Walker v. Packer*, 827 S.W.2d 833, 843 (Tex.1992).

\* \* \* \* \*

For the foregoing reasons, we conditionally grant mandamus relief directing the trial court to vacate its order compelling Continental to produce the belt skim-stock formula. We reiterate that nothing in our decision prohibits plaintiffs from seeking to discover the formula under the procedure we have set forth.

HANKINSON, J., did not participate in the decision.

FN1. See Ala. R. Evid. 507; Alaska R. Evid. 508; Ark. R. Evid. 507; Cal. Evid.Code § 1060 (West 1998); Del. R. Evid. 507; Fla. Stat. § 90.506 (West 1998); Haw. R. Evid. 508; Kan. Stat. Ann. § 60-432 (1997); La.Code Evid. Ann. art. 513 (West 1998); Me. R. Evid. 507; Neb.Rev.Stat. Ann. § 27-508 (1997); Nev.Rev.Stat. § 49.325 (Michie 1997); N.H. R. Evid. 507; N.J. Stat. Ann. § 2A:84A-26 (West.1998); N.M. R. Evid. 11-508; N.D. R. Evid. 507; Okla. Stat. Ann. tit. 12, § 2508 (West 1998); S.D. Codified Laws § 19-13-20 (West 1997); Tex.R. Evid. 507; Wis. Stat. Ann. § 905.08 (West 1997).

FN2. In *Southwestern Bell Telephone Co. v. State Corporation Commission*, 6 Kan.App.2d 444, 629 P.2d 1174 (Kan.App.1981), the court was called upon to decide whether confidential documents which Southwestern Bell produced to a regulatory authority during a rate rating should be made public. The court cited Kansas's version of Supreme Court Standard 508, see Kan. Stat. Ann. § 60-432, but noted that the privilege did not technically apply since Southwestern Bell had already produced the documents; the issue was the scope of subsequent protection. *Id.* at 1183. The court nonetheless articulated a test similar to that in *Bridgestone/Firestone* for determining whether the documents should be made public. *Id.* at 1183-84. See also *In re Application of Northwestern Bell Tel. Co.*, 223 Neb. 415, 390 N.W.2d 495, 499 (Neb.1986).

FN3. In this case, for example, the trial court limited access to the information to the parties in this lawsuit, their lawyers, consultants, investigators, experts and other necessary persons employed by counsel to assist in the preparation and trial of this case. Each person who is given access to the documents must agree in writing to keep the information confidential, and all documents must be returned to Continental at the conclusion of the case.

FN4. Rule 76a(1) provides in pertinent part: No court order or opinion issued in the adjudication of a case may be sealed. Other court records, as defined in this rule, are presumed to be open to the general public and may be sealed only upon a showing of all of the following:

- (a) a specific, serious and substantial interest which clearly outweighs:
  - (1) this presumption of openness;
  - (2) any probable adverse effect that sealing will have upon the general public health or safety;
- (b) no less restrictive means than sealing records will adequately and effectively protect the specific interest asserted.

Tex.R. Civ. P. 76a(1).

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