"Sharing Provisions": The Hidden Trap In Protective Orders

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Protective orders provide the most important and effective means for a company to protect its proprietary and trade secret information in the course of litigation. A manufacturer's product design, for example, will often be the result of years of research and work at an incalculable cost. For those reasons, corporate entities routinely impose stringent internal controls to ensure that their competitively sensitive material remains confidential. Accordingly, part of corporate counsel's and the defense lawyer's job is to protect that information from unnecessary disclosure in a lawsuit.

In an attempt to circumvent the traditional protections afforded to confidential information, plaintiffs' attorneys are increasingly seeking the inclusion of "sharing provisions" in protective orders. Such provisions generally allow them to share proprietary information obtained in a lawsuit with counsel involved in similar litigation nationwide. This information exchange allows plaintiffs' attorneys in different cases to collaborate as to discovery and general theories, or coordinate expert selection and preparation. Although "sharing provisions" are more commonly sought in mass litigation where a company may face a rash of similar lawsuits, they may also appear in lower profile litigation in which there may be only one or two similar cases around the country. Corporate counsel should be on the lookout for sharing provisions when scrutinizing proposed protective orders.

The Defense Perspective

From the perspective of defense counsel, "sharing provisions" present several potential perils. Perhaps the most serious risk presented by them is the inability of a court to enforce its own protective order in the event of a breach. For example, suppose a Chicago plaintiff's lawyer obtains confidential information from defendant XYZ Corporation through discovery in Cook County, Illinois, and then passes along such information, pursuant to a "sharing provision," to an Anchorage plaintiff's attorney representing a client with a "similar" matter against XYZ Corporation in Alaska. Further, suppose that the Anchorage attorney posts the confidential information on his firm's website. How can the Illinois Court remedy such a breach? Even if the Court can somehow gain jurisdiction over the Alaska attorney, how can the Illinois Court, practically speaking, remedy such a breach?

Some "sharing provisions" require each recipient of the shared information to execute an affidavit or authorization attesting that he will comply with the protective order and consent to jurisdiction in the issuing court. Practically speaking, however, once such confidential information is improperly disseminated, it is virtually impossible to undo the harm. Simply put, a court will almost certainly lack the ability to enforce its own protective order, rendering it ineffective.

There is ample precedent that suggests "sharing provisions" are improper. Such opinions generally confine the use of confidential information to the specific case before the court, and restrict disclosure of such information to the attorneys handling the specific case, in addition to their experts, consultants and agents.

For example, in In re Remington Arms Co., 952 F.2d 1029, 1033 (8th Cir. 1991), the Eighth Circuit expressly held that where proprietary and trade secret business information is involved, the "use of the discovered information should be limited to the particular lawsuit in which it has been shown to be both relevant and necessary to the prosecution of the case." The Remington Arms Court even highlighted the inability of courts to remedy violations of protective orders:

> We have upheld a contempt order imposed upon an attorney who violated a protective order. Such an after-the-fact remedy is largely ineffectual in a trade secrets case, however, for once the information is wrongfully released, the trade secret is lost forever and no sanction imposed on the violator can retrieve it.

Id. (citations omitted).

In *Sasu v. Yoshimura*, 147 F.R.D. 173 (N.D. Ill. 1993), the court rejected the plaintiffs' proposed "sharing provision" and bluntly stated, "[t]here is . . . no right to use pretrial discovery in one case for the prosecution of another case . . . . Plaintiffs' provisions regarding use of confidential information for other cases will not be permitted."

Further, other courts have noted that such provisions unduly raise the risk that a defendant's competitors will obtain access to confidential information, and make enforcement of a protective order unduly burdensome to a defendant.

Plaintiffs' Position

Defense counsel must also be aware of the case law in favor of "sharing provisions." In *Nestle Foods Corp. v. Aetna Cas. & Surety Co.*, 129 F.R.D. 483 (D.N.J. 1990), the Court plainly rejected defendant's argument that the dissemination of discovery materials for use by other litigants was improper. Specifically, the Court stated:

> The courts have emphatically held that a protective order cannot be issued simply because it may be detrimental to the movant in other lawsuits. Using fruits of discovery from one lawsuit in another litigation, and even in collaboration among various plaintiffs' attorneys, comes squarely within the purposes of the Federal Rules of Civil Procedure. The harm possibly emanating therefrom does not form a basis for a protective order.

Further, advocates of "sharing provisions" frequently point to general policy considerations, such as judicial economy, the efficient use of resources by the parties, and the elimination of deception in litigation via improper concealment of documents.

Other Tips to Keep Sharing Provisions Out of Protective Orders

When opposing the inclusion of sharing provisions in protective orders, there are certain factors that may help win the day in court. First, in most instances, it must be stressed that the proprietary and trade secret documents for which a defendant is seeking protection constitute only a small percentage of the total document production. There will typically be no restrictions on the sharing of non-confidential documents that are also produced in the litigation, thereby deflating plaintiff's probable argument that the defendant is attempting to impose a blanket restriction on the use of discovery materials.

Additionally, defense counsel is well-advised to coordinate and discuss common strategy with codefendants on this issue. If a codefendant consents to the inclusion of a sharing provision in a protective order, that will likely dilute the strength of the argument against such a provision.

It is often effective to make a record of the extreme prejudice the corporate defendant may face if commercially sensitive information is unnecessarily disclosed. The defendant may be able to quantify the amount of man-hours and the monetary cost in assembling and maintaining certain technology or intellectual property, and that information can be presented to the court in an affidavit. This potential commercial harm will then be weighed against the "prejudice" faced by plaintiffs' counsel, which often pales in comparison.

Finally, corporate counsel and defense counsel should consider taking the offensive on this issue by moving for the entry of their proposed protective order without a sharing provision, rather than facing the inevitable motion to compel from plaintiffs' counsel. In doing so, the defendant will be able to frame the issue in the light most favorable to it, rather than coming into court amid inevitable allegations of discovery abuse or non-disclosure by opposing counsel.

With the proliferation of electronic media and the internet, information sharing in general appears to be the trend. However, that fact should not deter corporate counsel or defense counsel in their quest to protect their client's proprietary and trade secret information. If the issue is properly presented to the court and supported with the appropriate law, a defendant will still be able to achieve the worthy objective of limiting access to confidential information and confining discovery to the case at hand.

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