UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

UNITED STATES OF AMERICA,	)	
Plaintiff,	)	Civil Action No. 99-005 (MMS)
vs.	)	
DENTSPLY INTERNATIONAL, INC.,	)	
Defendant.	)	

UNITED STATES' REPLY BRIEF TO DEFENDANT DENTSPLY'S BRIEF IN OPPOSITION TO PLAINTIFF'S MOTION FOR ENTRY OF ITS PROPOSED PROTECTIVE ORDER

Dated: April 8, 1999

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I. The Realistic Risk of Economic Injury to Nonparties Justifies Entry of a Protective Order that Prohibits Disclosure of Confidential Information to Dentsply's General Counsel

In determining the extent to which confidential information will be disclosed in litigation, a court must balance "the goals of full disclosure of relevant information and reasonable protection against economic injury" to the parties facing disclosure. Safe Flight Instrument Corp. v. Sundstrand Data Control, Inc., 682 F. Supp. 20, 23 (D. Del. 1988). The risk of economic injury from inadvertent disclosure by in-house counsel of other parties' confidential information is so well established that this Court has, *sua sponte*, raised the issue of limiting disclosure to only trial counsel and independent experts where it appears that harm could result without such a limitation. Coca-Cola Bottling Co. of Shreveport, Inc. v. Coca-Cola Co., 107 F.R.D. 288, 300 (D. Del. 1985). To decide whether to allow disclosure of confidential information to counsel, a court must examine "the factual circumstances surrounding each individual counsel's activities, association, and relationship with a party, whether counsel be in-house or retained," to gauge the risk of inadvertent disclosure. Boehringer Ingelheim Pharm., Inc. v. Hercon Laboratories Corp., 1990 WL 160666, *1 (D. Del. Oct. 12, 1990) (citations omitted). Assessing the risk of inadvertent disclosure by in-house counsel is particularly important where nonparty confidential information is at issue. See United States v. International Business Machines, Corp., 72 Civ. 344, slip op. at 1-3 (S.D.N.Y. April 10, 1996) ("IBM").

Defendant's arguments radically depart from this controlling precedent. Defendant argues that the United States or nonparties must carry a threshold burden of proof that Defendant's General Counsel "is involved in competitive decision-making"--defined by Defendant as the giving of nonlegal, business advice on competitive matters. Defendant Dentsply's Brief in Opposition to Plaintiff's Motion for Entry of Its Proposed Protective Order ("Opp. Br.") (D.I. 41) at 6. Defendant argues, apparently as a matter of law, that providing legal advice in connection with competitive business decision-making cannot give rise to a risk of inadvertent disclosure.

At least one court has rejected precisely this argument. In Sullivan Marketing, Inc. v. Valassis Communications, Inc., 1994 WL 177795 (S.D.N.Y. May 5, 1994), the defendant sought to allow its General Counsel, who was also the company's corporate secretary, access to confidential information based upon his sworn statement that he did not have "input on matters relating to production or sales, except when a legal issue is raised. . . ." Id. at *3. The court concluded that the risk of inadvertent disclosure was too great to allow in-house counsel access to confidential information and stated:

> It is often difficult to draw the line between legal and business advice. *Moreover, where advice on a seemingly legal issue such as an antitrust question is sought, counsel's intimate knowledge of a competitor's pricing policies could surely influence the nature of the advice given.* "[I]t is very difficult for the human mind to compartmentalize and selectively suppress information once learned, no matter how well-intentioned the effort may be to do so." F.T.C. v. Exxon Corp., 636 F.2d 1336, 1350 (D.C. Cir. 1980). Given the extent of [in-house counsel's] involvement in strategy meetings, such compartmentalization would be nigh impossible.

Id. (emphasis added). This Court has similarly recognized "*that business and legal advice may often be inextricably interwoven.*" Hercules Inc. v. Exxon Corp., 434 F.

Supp. 136, 147 (D. Del. 1977) (emphasis added). In short, the provision of legal advice by in-house counsel gives rise to a risk of inadvertent disclosure.[1]

The United States does not contend, however, that the presence of this risk ends the inquiry. As Defendant points out, the status of in-house counsel alone should not give rise automatically to an order prohibiting disclosure to that counsel. See United States Steel Corp. v. United States, 730 F.2d 1465, 1468 (Fed. Cir. 1984).[2] Rather,

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[1] We do not understand Defendant to be arguing that its General Counsel does not provide legal advice in connection with competitive business decision-making. Because involvement through the provision of legal advice alone in competitive business decisions creates the risk of inadvertent disclosure, Motorola, Inc. v. Interdigital Tech. Corp., 1994 U.S. Dist. LEXIS 20714, *10 (D. Del. Dec. 19, 1994), we need not rebut Defendant's argument that its General Counsel has been shown not to provide business advice because the United States, despite having access to thousands of pages of documents produced by Defendant during the investigation preceding this action, "has submitted no documentary evidence indicating that Mr. Addison participates in competitive business decisions." Opp. Br. at 2. It bears observation that for most of the period covered by the document production, Mr. Addison was not employed by Defendant and for the entire period was not its General Counsel.

[2] Dentsply argues that the U.S. Steel decision establishes that a party must make an affirmative showing that an in-house counsel is involved in providing business advice on competitive decisionmaking to deny that in-house counsel access to nonparties' confidential information. That is not what the U.S. Steel Court held. In U.S. Steel, the Court was reviewing the Court of International Trade's decision to create a per se rule requiring the denial to all in-house counsel of access to any confidential information in all future cases. Id. at 1469. The Court reversed that decision, and held that "access should be denied or granted on the basis of each individual counsel's actual activity and relationship with the party represented, without regard to whether a particular counsel is in-house or retained." Id.

Indeed, in Brown Bag Software v. Symantec Corp., 960 F.2d 1465 (9th Cir.), cert. denied, 506 U.S. 869 (1992), the Court relied on U.S. Steel in denying access to in-house counsel. The Court based its decision on the fact that in-house counsel would in the future be in the "untenable position" of having to refuse his employer legal advice on "contract, employment, and competitive marketing decisions" because he had viewed certain confidential information." Id. at 1471.

disclosure to in-house counsel has been permitted where counsel will be insulated from the competitive decision-making process in such a way that it is unlikely that inadvertent disclosure can occur. Boehringer, 1990 WL 160666, at *2 (allowing access where "each of the [in-house counsel] is situated in such a way that if a future project were to present a conflict because of information that has been learned from discovery in this lawsuit, the conflicting assignment could be rerouted to another individual not possessing the conflicting information."); Safe Flight, 682 F. Supp. at 23, citing E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co., 219 U.S.P.Q. 37 (D. Del. 1982) (allowing access where counsel will be "segregated" in a way that avoids the possibility of conscious or unconscious abuse of confidential information).

Indeed, even accepting the erroneous standard for allowing disclosure that Defendant has proposed, the record in this case establishes that Defendant's General Counsel is involved in providing business advice in connection with competitive decision-making. Thus, Defendant' s General Counsel concedes that for some matters, including "Dentsply's acquisition of other commercial entities . . . ," its General Counsel's "responsibilities may be viewed as crossing over into the competitive, business environment. . . ." Addison Decl. ¶ 5 (D.I. 34). During discovery in this case, nonparties foreseeably will produce information that would cause harm to the nonparty if reviewed by Defendant in competitive decision-making relating to such acquisitions. As such, by Defendant's General Counsel's own admission, his involvement in competitive decisionmaking will inevitably put him in a position to inadvertently make use of or disclose Defendant's competitors' confidential information.

It bears emphasis that, unlike the in-house counsel for whom parties generally seek access to confidential information, the counsel at issue in this matter, the General Counsel and an officer of the company, admittedly provides legal advice on a wide-range of business matters beyond simply litigation. In contrast, for example, in IBM, the Court denied access to the defendant's "in-house litigation counsel," slip op. at 3-4, despite the obviously greater ease with which a party could provide safeguards against litigation counsel's involvement in matters which could lead to the inadvertent disclosure of confidential information. The extensive business responsibilities of Defendant's General Counsel make the risk of inadvertent disclosure much greater.

II. The Protective Order Proposed by the United States Will Expedite the Preparation of this Case for Trial

Defendant does not refute the point made by the United States in its opening brief that nonparties would reasonably have concerns that disclosure of their confidential information to Dentsply's General Counsel would be tantamount to disclosure to Defendant because of the risk, discussed above, that inside counsel will inadvertantly disclose that information during the course of his employment. Indeed, several nonparties have expressed those concerns in affidavits and letters provided to the United States in response to notice of the proceedings in this matter regarding the Protective Order.[3] See Appendix.

[3] Defendant now complains that it was deprived the opportunity to negotiate with nonparties about the protective order. Defendant, in reality, had no real interest in such negotiations. For example, the United States advised Defendant that Henry Schein had requested a copy of the draft protective order and identified Henry Schein's counsel to Defendant at that time. Defendant chose never to initiate contact with Henry Schein, and

Dentsply has not challenged the proposition that elimination of those nonparties' concerns will reduce the possibility that either those nonparties or some others would seek additional protections from this Court or the court from which a subpoena may issue during this case because the nonparties will have less incentive to seek such protection. Reducing the risk of such ancillary litigation serves the goals of facilitating discovery in this case.[4]

Instead of attempting to refute these arguments, Defendant argues that restricting its General Counsel's access will actually spawn ancillary litigation. Defendant

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instead, in its March 5, 1999 letter to the Court, pushed for an initial determination by the Court of its access to Henry Schein's confidential information without the courtesy of serving that letter on Henry Schein.

[4] Defendant grossly distorts the import of the United States' apprising the Court of our experience that such ancillary litigation may occur by claiming that the United States has threatened "to have third parties disrupt this litigation." Indeed, Defendant, notwithstanding its mischaracterization, recognizes the reasonable possibility that in litigation such as this nonparties may file for additional protection from the Court. Thus, Defendant's proposed protective order contemplates that nonparties may seek a separate protective order from the Court. Dentsply Prot. Ord. ¶10.

Defendant also mischaracterizes the United States' shorthand reference to Defendant's General Counsel, Secretary and Vice President, as "in-house business counsel," and claims that the service of the United States brief containing this shorthand reference could "inflame the fears of third parties." Opp. Br. at 16. Indeed, as discussed earlier in the text, at least one case has referred to the "in-house, litigation" counsel of a defendant. Dentsply's General Counsel, in contrast, has responsibilities for reviewing Defendant's business decisions for "legal compliance" and was fairly described as "in-house business counsel" as a means of distinguishing his position from that of in-house litigation counsel. In any event, the United States has attempted to provide a balanced view of these proceedings to nonparties and has served not only its opening brief, but also, Defendant's March 5 letter and Henry Schein's opening brief on interested nonparties. We have subsequently provided Dentsply's Response to Henry Schein's Motion and its Response to our Motion to those nonparties that expressed any interest in these proceedings.

constructs this argument by positing that nonparties will act either negligently or in bad faith by "grossly over-designat[ing] their information as confidential." Opp. Br. at 15. Based on this speculative premise, Defendant argues that it will have to litigate with nonparties.

Rather than proposing a protective order that would mitigate the risk of overinclusive designations, however, Defendant has proposed an order which gives inadequate guidance to nonparties regarding the scope of confidential information. The United States' proposed protective order, as required by the precedent of the Third Circuit Court of Appeals, defines "confidential information" as "any trade secret or other confidential research, development, or commercial information, as such terms are used in Fed. R. Civ. P. 26(c)(7), produced by or in the possession of any protected person . . . , *the disclosure, or further disclosure, of which would result in a clearly defined and serious injury*." United States' Prot. Ord. ¶ 1(a) (emphasis supplied) (D.I. 31). Defendant's proposed protective order, in contrast, does not contain the above language regarding "clearly defined and serious injury." Dentsply Prot. Ord. 1 (D.I. 34).

The United States' protective order seeks to ensure that nonparties making confidentiality designations will only be able to protect from disclosure to Defendant's in-house counsel and other employees a discrete, narrowly-defined category of information. Nonparties are bound by the United States' protective order to make their confidentiality designations based upon a good faith representation to the Court that disclosure of the information "would result in a clearly defined and serious injury."

Despite the clear requirements of the protective order, Defendant believes that nonparties will not only ignore those requirements but will, once approached by Defendant regarding overdesignations, choose to incur the cost of litigating with Defendant rather than to resolve the difference. Contrary to Defendant's view, however, the Federal Rules of Civil Procedure, as well as the Local Rules of this Court, are premised in part on the belief that many such discovery disputes can be resolved by counsel without intervention of the Court and thus the rules require counsel to meet and confer before bringing such matters to the Court. See D. Del. LR 7.1.1. Moreover, in this case in particular, nonparties are unlikely to attempt to defend negligent or bad faith designations of confidentiality. Such nonparties would have to obtain local counsel, and local counsel in this proceeding has been appropriately admonished by the Court to assure against frivolous discovery practice.[5] In short, Defendant's argument that it will have to litigate such confidentiality designations is without merit.

III. The Protective Order Proposed by the United States Will Not Adversely Affect Dentsply's Ability to Defend this Action

Defendant makes no real argument explaining why its General Counsel must have access to the limited amount of confidential information of nonparties in order to support this litigation. Instead, Defendant simply asserts that it must "rely heavily on Mr. Addison, as a surrogate for Dentsply's business personnel, to explain the industry." Opp. Br. at 14. Defendant fails to explain why lack of access to nonparties' confidential information would deny it an adequate ability to consult with its General Counsel or

[5] See Transcript of March 9, 1999 Hearing ("Tr.") 81-83.

business people about the industry, particularly in light of the fact that Dentsply's General Counsel will have access to all nonconfidential nonparty information, which will very likely comprise the large bulk of nonparty documents.

Defendant also fails to explain why it cannot defend this particular civil antitrust action without its General Counsel having access to the highly confidential information of nonparties; whereas, in recent actions defendants with transactions of arguably greater overall significance to them (i.e., the sale of their businesses) stipulated that their in-house counsel did not need access to such information.[6] Indeed, in 1997, in this Court, in an action including an antitrust counterclaim against Defendant, Defendant stipulated to a protective order that did not permit its in-house counsel to have access to the opposing party's confidential information. Dentsply International, Inc. v. New Technology Co., Dkt. No. 96-cv-0072 (Proposed Revised Stipulated Protective Order dated Sept. 26, 1996) (D.I. 43). As this prior practice illustrates, there is no reason to believe that Defendant cannot defend itself effectively without its General Counsel's access to nonparties' confidential information.

Moreover, any generalized need for a corporate party's General Counsel to review nonparties' confidential information is not present in a case, such as this one, where counsel has years of significant involvement in the matter. At the initial conference before the Court on March 9, 1999, Defendant's outside counsel advised the Court of her firm's familiarity and involvement with this case:

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[6] See Appendix to United States' Opening Brief (D.I. 33) A-28-72.

> Well, that puts us in an extremely difficult position, because I've represented this client through this investigation for the last three years. There's no way -- and this is a highly technical antitrust case with a lot of facts. There's no way ethically I could withdraw from this case on the hope that there's some antitrust case that I would take for Dentsply.

Tr. 10, L.14-22. That familiarity of counsel with this matter is a significant factor undercutting Defendant's unsupported assertion that in-house counsel needs access to nonparties' confidential information. United States v. International Business Machines, Corp., slip op. at 4.

IV. Defendant Has Not Articulated a Legitimate Interest In Opposition to the Additional Protections Sought by Henry Schein

Defendant opposes Henry Schein's request for additional protections by repeating its strained argument that the provision of legal advice on competitive business decisions does not present any risk of inadvertent disclosure. As demonstrated above, the provision of legal advice on competitive business matters does give rise to a risk of inadvertent disclosure. Indeed, Defendant's failure to explain the extent of the firm's involvement in competitive decision-making justifies the entry of a some type of protective order directed at the firm. Carpenter Tech. Corp. v. Armco, Inc., 132 F.R.D. 24, 27-28 (E.D. Pa. 1990).

Defendant makes no attempt to explain the degree to which it relies on Howrey & Simon for legal advice on business matters or the degree to which it needs that advice given its inside legal staff. Instead, Defendant relies, as a counterbalance to the legitimate interests of nonparties in protecting their confidential information, only on the argument that none of the confidential information will remain confidential because "all

the world" may have access to nonparties' confidential information once it is entered into evidence at trial. Opp. Br. at 17. While the Court has indicated its strong preference for an open trial, nothing in the record suggests that the Court expects either party to dump wholesale into the record nonparties' confidential information. Quite to the contrary, the Court admonished the parties not to dump material into the record simply because this is not a jury trial. Tr. 53. Indeed, the Court indicated that it was "not foreclosing parties from making an argument that it [the trial] should be kept confidential." Tr. 34. The Court certainly did not suggest, as the necessary logic of Defendant's argument now attempts to make it seem, that there's no need for a protective order because all confidential information may become public.

The United States acknowledges that the risk of inadvertent disclosure may be less because, unlike Dentsply's General Counsel, outside counsel is not an employee and officer of the corporation. The United States also acknowledges that Defendant has a legitimate interest in engaging Howrey & Simon for this matter and other ongoing matters. On the other hand, some restrictions on Howrey & Simon's future representation of Defendant similar to those proposed by Henry Schein may facilitate discovery in this matter without impinging on this interest, and the United States would not oppose them.[7]

[7] Similarly, the United States does not oppose giving nonparties the opportunity to demonstrate whether some type of order or action should be taken by the Court to protect their confidential information from disclosure at trial.

Respectfully submitted,

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