

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

**FILED**  
JAN 14 2005  
MICHAEL W. DOBBINS  
CLERK, U.S. DISTRICT COURT

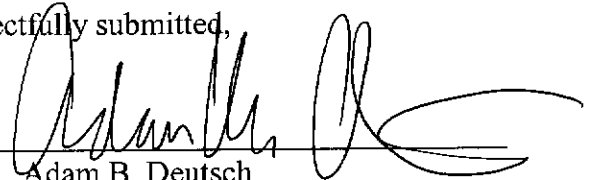
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LAWRENCE E. JAFFE PENSION PLAN,  
on Behalf of Itself and All Others Similarly  
Situating,  
  
Plaintiff,  
  
v.  
HOUSEHOLD INTERNATIONAL, INC., et al.  
  
Defendants.  
\_\_\_\_\_

Lead Case No. 02-C-5893  
(Consolidated)  
  
Judge Ronald A. Guzman  
Magistrate Judge Nan R. Nolan

**NOTICE OF FILING**

PLEASE TAKE NOTICE that, on January 14, 2005, we caused to be filed with the Clerk of the United States District Court for the Northern District of Illinois, Eastern Division, 219 South Dearborn Street, Chicago, Illinois, **REPLY MEMORANDUM OF LAW OF HOUSEHOLD DEFENDANTS IN SUPPORT OF THEIR MOTION TO AMEND THE PROTECTIVE ORDER**, a copy of which is served upon you.

Dated: January 14, 2005

Respectfully submitted,  
  
By:   
Adam B. Deutsch  
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*Attorneys for Household International, Inc.,  
Household Finance Corporation, William F.  
Aldinger, David A. Schoenholz, Gary  
Gilmer, and J.A. Vozar*

UNITED STATES DISTRICT COURT  
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Judge Ronald A. Guzman  
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**REPLY MEMORANDUM OF LAW OF HOUSEHOLD  
DEFENDANTS IN SUPPORT OF THEIR MOTION TO  
AMEND THE PROTECTIVE ORDER**

Defendants Household International, Inc., Household Finance Corporation, William F. Aldinger, David A. Schoenholz, Gary Gilmer and J.A. Vozar (collectively, the "Household Defendants") submit this memorandum in further support of the Household Defendants' motion to amend the Protective Order. Specifically, Household Defendants seek to add "Household organizational charts containing non-public employee information" — further defined in this context as information kept secret from the public the dissemination of which would undermine Household's competitive advantage in the marketplace — for designation as "Confidential Information" pursuant to the Protective Order, paragraph 3.

## ARGUMENT

### **I. Household's Organizational Charts Contain Confidential Information**

Plaintiffs' lead argument in opposition to the Household Defendants' motion to amend the Protective Order is that "information such as that contained in Household's organizational charts does not constitute trade secret or other confidential information." Lead Plaintiffs' Opposition to Household Defendants' Motion to Amend the Protective Order ("Pls' Mem.") at 3. Plaintiffs find it inconceivable that Household's organizational charts could be trade secrets. They are wrong. See *Complete Business Solutions, Inc. v. Mauro*, 2001 WL 290196, at \*5 (N.D. Ill. March 16, 2001) (Keys, M.J.) (finding that plaintiff had adequately pled possession of confidential information and trade secrets; plaintiff's "most valuable and sensitive information" included its employee lists) (attached hereto at Annex 1).

In support of their position, Plaintiffs rely on cases that do not analyze information "such as that" in the documents that the Household Defendants seek to protect, as well as on the production of organizational charts in confidence from Household to its accountants — charts that are already subject to the Protective Order. Plaintiffs' reliance is therefore misplaced.

Plaintiffs cite *CNA Financial Corp. v. Local 743 of International Brotherhood of Teamsters, Chauffeurs, Warehousemen & Helpers of America*, 515 F. Supp. 942, 946 (N.D. Ill. 1981), for their assertion that Household's organizational charts do not contain information that warrants confidential protection. In *CNA Financial Corp.*, however, the documents at issue were lists of employees' names, addresses and "unspecified other confidential information." (quotation omitted) They were not, as is the case here, detailed

structural charts providing a road map to employees and the specialized areas in which these employees have training and experience, as well as, in some cases, the locations of the employees, the general number of employees budgeted for each department and the number of vacant positions. (See Exs. A-E)<sup>1</sup>

Significantly, the court in *CNA Financial Corp.* noted that detailed information could be subject to a protective order. The court stated that, although it was not the case in the situation at hand, “it is conceivable than an employee list may contain such extensive and detailed information that would so devastate a company if disclosed to the wrong person that it could be characterized as a trade secret.” *CNA Fin. Corp.*, 515 F. Supp. at 946. Indeed, as set forth in the Affidavit of Michael Woodward (submitted previously by the Household Defendants in this motion), certain departments at Household have been devastated through the loss of personnel to raiders. (Affidavit of Michael Woodward (“Woodward Aff.”) ¶ 7)

Furthermore, Plaintiffs’ reliance on *CNA Financial Corp.* is generally misplaced, given the context at hand. The issue in *CNA Financial Corp.* was whether employee lists constituted trade secrets in the misappropriation context. *CNA Fin. Corp.*, 515 F. Supp. at 944. The analysis did not take place in the context of a party seeking a protective order pursuant to Fed. R. Civ. P. 26(c)(7). Such protective orders “encompass business information that might be broader than traditional notions of trade secrets.” *Cook Inc. v. Boston Scientific Corp.*, 206 F.R.D. 244, 248 n.2 (S.D. Ind. 2001); see also *Republic of Philippines v. Westinghouse Electric Corp.*, 949 F.2d 653, 662-63 (3d Cir. 1991) (holding

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<sup>1</sup> The Exhibits referenced herein are attached to the accompanying Affidavit of Adam B. Deutsch, and are submitted to the Court *in camera* for review.

that non-trade secret business information may be protected from public disclosure but requiring a showing that disclosure of the information will harm a business's competitive standing).

Plaintiffs' reliance on *Sterbens v. Sound Shore Medical Center of Westchester*, 2001 U.S. Dist. LEXIS 19987 (S.D.N.Y. Dec. 4, 2001) is equally misplaced. In *Sterbens*, the party seeking protection for its organizational diagrams and "position control documents" made only "conclusory statements regarding the effects of disclosure of these documents to non-parties" and failed to show any economic harm the disclosure of such materials would cause. *Sterbens*, 2001 U.S. Dist. LEXIS, at \*5. In this case, it is estimated that the replacement of one Household Technology Services ("HTS") professional, for example, would cost Household \$50,000. (Woodward Aff. ¶ 6)

Thus, the loss of even one HTS employee as a result of public disclosure would result in a significant and concrete injury to Household that would greatly exceed the meager "burden" alleged by Plaintiffs to arise from the confidential treatment of Household's detailed organizational information. Such an injury might also be compounded many times if the documents were fully exploited by one of Household's competitors. This potential injury clearly meets a showing of "good cause" for confidential treatment.

Plaintiffs also cite *Metropolitan Life Ins. Co. v. Usery*, 426 F. Supp. 150 (D.D.C. 1976) for the proposition that, to receive protection, organizational charts must contain "much more detailed information about the employees and internal company policy, procedures, and programs." However, that case does not address a situation in which a party is seeking a protective order, but instead holds that certain types of employee lists may be

exempt from Freedom of Information Act (“FOIA”) disclosure pursuant to a FOIA exception for trade secrets and privileged or confidential information. *Metropolitan Life Ins. Co.*, 426 F. Supp. at 159-60.

To the extent relevant in this case at all, the court in *Metropolitan Life Insurance Co. granted exemption from disclosure* for work force analysis and department lists containing highly detailed information about employees, including specific job categories, the number of employees in each category and the number of women and minorities in each job category, because “disclosure of this information would cause the companies substantial competitive harm by increasing the companies’ vulnerability to employee raiding.” *Id.* at 160. The court stated — recognizing as valid an argument similar to that which the Household Defendants set forth — that “[a]lthough raiding has occurred in the past without access to these documents through the use of other sources of information, these alternative sources of information do not provide as efficient and comprehensive a method for employee raiding as the manning tables and departmental lists would provide.” *Id.* (footnote omitted)

Finally, Plaintiffs’ sound the alarm because Household, during the course of its business relationship with defendant Andersen, disclosed certain of its organizational charts to the accountants. Household’s disclosure of organizational charts to Andersen is irrelevant. The charts were provided in confidence as part of Household’s professional association with its accountants. Indeed, the Illinois Accountants Privilege, which provides that an accountant shall not be required by any court to divulge information or evidence obtained by him in his confidential capacity as a public accountant, 225 Ill. Comp. Stat. Ann. 450/27 (2004), would

preclude production of these documents under state law, and the confidentiality of documents covered by this privilege is expressly incorporated into the Protective Order in effect in this case. (Order at ¶ 3) In fact, Andersen's production of those charts only further demonstrates the harm of not designating this information as confidential.

Moreover, many of the charts produced by Andersen merit confidential treatment. Household's Collections Departments charts, for example, provide a detailed hierarchical structure of various collections departments, complete with the names and extensions of employees, as well as their locations and the number of employees in the departments generally. (Ex. E) The Corporate Accounting, Treasury and other departmental charts attached at Exhibit D also provide very specific details as to areas of expertise within each department, and the extensions at which these employees can be reached. (Ex. D)

**A. The Injury to Household's Business Is Clear**

The harm that Household could suffer as a result of the dissemination of certain information in its organizational charts is hardly speculative. In *Star Scientific, Inc. v. Carter*, 204 F.R.D. 410 (S.D. Ind. 2001), a dispute specifically involving the merits of a protective order, the court found that good cause existed for issuance of an order because "[i]n the event that their trade secrets and confidential information are subject to public dissemination (most notably, to one of its competitors), Plaintiffs may suffer great economic harm." *Id.* at 416. The court stated that discovery of certain information "may lead to a competitive disadvantage, and would permit Plaintiffs' competitors to utilize the discovery process for improper purposes." *Id.* The court found that "the potential dangers Plaintiffs face if a competitor gains access to its trade secrets and confidential information outweigh any

legitimate interest one may possess in obtaining these documents.” *Id.* Those dangers have been illustrated in this case — where not only would Household suffer substantial damages from the poaching of its employees (Woodward Aff. ¶ 6), but the names, locations, areas of experience and even direct telephone extensions may be disclosed to the Household competitors noted in Plaintiffs’ initial Rule 26 disclosures. *See* Plaintiffs’ Initial Disclosures, at Pages 4-10/Paragraph C.

Indeed, organizational charts are clearly within the bounds of protection when, as in this case, disclosure of those charts outside of the litigation could work such a “clearly defined and serious injury” on the party requesting protection. *See Merit Industries, Inc. v. Feuer*, 201 F.R.D. 382, 384-386 (E.D. Pa. 2001). In *Merit Industries, Inc.*, the court allowed confidential protection for plaintiffs’ organizational charts and left open the possibility that, had plaintiffs shown that the organizational charts could be disclosed to plaintiff’s competitors, the charts would have received heightened “Highly Confidential” attorneys’-eyes only protection. *Id.* at 386.

Plaintiffs go out of their way to criticize the Affidavit of Michael Woodward as speculative and self-serving. (Pls’ Mem. at 6) However, *Metropolitan Life Ins. Co. v. Usery*, *supra*, — a case cited by Plaintiffs — specifically recognizes the validity of exactly the concerns set forth in the Woodward Affidavit. In *Metropolitan Life Ins.*, the court credited testimony that the disclosure of the department lists at issue would increase the company’s susceptibility to “vacuum cleaner” raiding, in which an entire group of employees is poached from one company to another — something Household has experienced. (Woodward Aff. ¶ 7) The court also recognized testimony by a company vice president that, in the insurance



industry, the total investment in recruiting, training and developing a sales representative over three and a half years was estimated to be \$75,000. *Metropolitan Life Ins. Co.*, 426 F. Supp. at 162 n.47.

The court further noted that “[p]roselytizing of employees is particularly prevalent during periods when there is a sharp increase in demand for particular labor skills or categories of employees.” *Id.* at 160. As relevant to this case, the technology boom of the last decade has caused a sharp increase in demand for technical services employees.

Indeed, in *New York v. Microsoft Corp.*, 2002 WL 31628220, at \*5 (D.D.C. Nov. 18, 2002) (attached hereto at Annex 2), the district court ordered Palm, Inc. to produce its organizational charts subject to a protective order and with the names of its personnel redacted. The court thus allowed access to the structure of the company, but not to the names of specific employees. Similarly, in the instant dispute, Household’s Technical Services charts contain the names of employees with experience on the highly technical information systems side of Household. As in *Microsoft Corp.*, those charts merit confidential treatment.

**B. Plaintiffs Fail to Show That Filing Documents Under Restriction or Seal Would be Unnecessarily Burdensome**

Plaintiffs state that their “interest in obtaining and freely using the organizational charts to prosecute their case is strong,” and that the “burden of filing documents under seal is real.” (Pls’ Mem. at 6-7) What Plaintiffs ignore is that the designation of certain organizational charts as confidential will still allow the charts to be freely used “to prosecute their case.” It is use of the charts outside of that purpose that the Household Defendants seek to prevent.

Further, according to Local Rule 5.8, "Filing Materials Under Seal," the mechanics of such filing requires that the document be accompanied by a cover sheet containing (1) the caption of the case; (2) a title stating that the document is a restricted document; (3) a statement that the document is filed as restricted in accordance with an order of the court; and (4) the date of the order and the signature of, in this case, the attorney of record. This is hardly "too burdensome" a requirement, especially when compared to the real economic harm to Household that would be presented by public disclosure of its confidential organizational charts.

**CONCLUSION**

For the foregoing reasons, the Household Defendants' Motion to Amend the Protective Order to include Household organizational charts containing non-public employee information should be granted.

Dated: January 14, 2005  
Chicago, Illinois

Respectfully submitted,

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# **Annex 1**

Westlaw.

Not Reported in F.Supp.2d  
2001 WL 290196 (N.D.Ill.), 58 U.S.P.Q.2d 1399  
(Cite as: 2001 WL 290196 (N.D.Ill.))

Page 1

**C**  
**Motions, Pleadings and Filings**

United States District Court, N.D. Illinois, Eastern  
Division.

COMPLETE BUSINESS SOLUTIONS, INC., a  
Michigan Corp. Plaintiff,

v.

Peter MAURO, an Individual, and Encore Consulting  
Services, Inc., an Illinois  
Corp. Defendants.

No. 01 C 0363.

March 16, 2001.

*MEMORANDUM OPINION AND ORDER*

KEYS, Magistrate J.

\*1 Before the Court is Defendants' Motion to Dismiss Plaintiff's Complaint pursuant to Federal Rule of Civil Procedure ("FRCP") 12(b)(6). Plaintiff's five-count Complaint alleges various breaches of contract, tort, and violations of the Illinois Trade Secrets Act ("ITSA"), 765 ILCS 1065/1, et seq. (West 2001), and seeks preliminary and permanent injunctive relief and monetary damages. For the following reasons, Defendants' Motion is granted in part, and denied in part.

*BACKGROUND*

For purposes of a motion to dismiss, the Court accepts all well-pleaded allegations in the complaint as true. *Travel All Over the World, Inc. v. Kingdom of Saudi Arabia*, 73 F.3d 1423, 1428 (7th Cir.1996). Plaintiff, Complete Business Solutions, Inc. ("CBSI") is a Michigan corporation with its principal place of business in Farmington Hills, Michigan. (Complaint ¶ 4.) CBSI is a business and information technology consulting company specializing in global systems integration, reengineering, and staff augmentation. (*Id.* at ¶ 7.) Of CBSI's approximately 5500 employees worldwide and 3800 in the United States, 400 are based in Chicago. (*Id.*) Indeed, Chicago is CBSI's largest market area, accounting for over \$35 million in annual revenue through roughly 50 customers. (*Id.*)

Defendant Peter Mauro is a citizen of the State of Illinois, and Defendant Encore Consulting Services, Inc. ("Encore") is an Illinois corporation with its principal place of business in Illinois. (Complaint ¶¶ 5-6.) Mr. Mauro was formerly employed by C.W. Costello & Associates, Inc. ("CWC"), then a Connecticut corporation, for whom he served as Regional Manager for the Chicago region. (*Id.* at ¶ 12.) In March 1998, CBSI purchased the stock of CWC, and Mr. Mauro became a CBSI employee and continued to work for CBSI in its Chicago office. (*Id.* at ¶ 14.) In February 2000, Mr. Mauro resigned from CBSI, but before resigning, he and CBSI entered into a "Separation Agreement and General Release" (hereinafter referred to as the "Agreement"). (*Id.* at ¶ 17.)

In the Agreement, in exchange for a severance payment and other consideration, Mr. Mauro agreed to the following, in pertinent part:

Confidentiality and Professionalism. Employee acknowledges that during the course of Employee's employment with the Company, Employee may have been exposed to Trade Secrets and Confidential Information of the Company. [E]mployee agrees that Employee will not use or disclose any Trade Secret or Confidential Information ... for twelve (12) months following his employment termination date.

Non-Solicitation of Clients Covenant. For a period of one (1) year following his employment termination date, Employee will not, directly or indirectly, on Employee's own behalf or in the service of or on behalf of any other individual or entity, divert, solicit or attempt to divert or solicit any individual or entity to provide services or products to such individual or entity that are substantially similar to those provided by the Company, if such individual or entity:

\*2 (i) is or was a client of Company at any time during the twelve (12) month period prior to Employee's termination date, and with respect to whom Employee had contact in a business (as opposed to social) setting or context during said twelve (12) month period, provided, however that this prohibition shall not apply with respect to a client who is not a client as of Employee's employment termination date and has informed Company that it no longer desires to employ Company to provide any further services; or

(ii) is or was a client of Company at any time during the twelve (12) month period prior to Employee's employment termination date, and whose projects Employee reviewed during such period....;

(iii) was not a client of Company during the twelve (12) month period prior to Employee's termination date, but was actively sought by Company during that period as a prospective client and with respect to whom during that period and in connection with such efforts Employee participated in presenting the Company's credentials.

Remedies for Breach. Employee acknowledges that great loss and irreparable damage would be suffered by the Company if Employee should breach or violate the terms of this Agreement. In the event Employee breaches or violates any provisions of this Agreement, the parties agree that the Company would not have an adequate remedy at law and that, therefore, the Company will be entitled to a temporary restraining order and a permanent injunction to prevent a breach of any of the terms or provisions contained in this Agreement, in addition to any other available remedies.

(*Id.* at ¶ 18.)

After resigning from CBSI, Mr. Mauro went to work for Encore, where he is currently its President and CEO. (*Id.* at ¶ 19.) At the time Mr. Mauro resigned from CBSI, CBSI was performing consulting services for clients Ameritech and Boise Cascade. (*Id.* at ¶ 20.) Furthermore, while employed by CBSI, Mr. Mauro worked with these clients (*id.* at ¶ 15), and was (and is) well aware of CBSI's past and present relationships with them. (*Id.* at ¶ 21.)

In late 2000, CBSI's management obtained a solicitation letter that Mr. Mauro had sent to Ameritech. (See the "Letter", attached to Complaint as Exhibit B.) Apparently, in this Letter, Mr. Mauro had used a CBSI employee as a reference, and even emphasized that he had worked with Ameritech while employed by CBSI. (*Id.*) Mr. Mauro then proceeded to offer Encore's consulting services to Ameritech. (*Id.*) Significantly, the services offered in the Letter to Ameritech were services that CBSI performs on a regular basis. (Complaint ¶ 22.) Mr. Mauro began this Letter by stating that "[i]t's [sic] been five months since I last dropped you a line in May of this year." (Complaint, Ex. B.) Based on the content of this Letter, CBSI began to investigate Mr. Mauro's conduct, and learned that Mr. Mauro had also solicited Boise Cascade. [FN1] (Complaint ¶ 23.)

[FN1]. Pursuant to the Agreement, Mr. Mauro's employment with CBSI terminated as of February 18, 2000. (See ¶ 2 of Agreement, attached to Complaint as Exhibit A.) Therefore, the confidentiality and non-solicitation provisions of the Agreement--which were to last 12 months--would have expired on February 18, 2001. Plaintiff learned of Mr. Mauro's conduct in late 2000, and filed its Complaint on January 18, 2001. On January 29, 2001, Plaintiff filed its motion for a preliminary injunction. Plaintiff requests, in addition to other relief, that Mr. Mauro be restrained or enjoined from soliciting or performing work for CBSI's clients, including Ameritech and Boise Cascade, with whom Mr. Mauro had contact in a business setting, or for whom he reviewed projects, during his last twelve months at CBSI (i.e. from February 18, 1999 to February 18, 2000), for twelve months from the date of the Court's order. (See Complaint at ¶ 87.) In other words, although CBSI learned of Mr. Mauro's alleged breach of the Agreement in late 2000--months before the confidentiality and non-solicitation provisions of the Agreement were to expire--CBSI essentially requests (because of Defendants' alleged breaches) that the twelve month duration requirement begin again with the Court's order.

\*3 On January 18, 2001, CBSI filed a five-count Complaint in federal court [FN2] to enforce the non-solicitation and confidentiality provisions contained in the Agreement, as well as to prevent the tortious interference with contractual and business relationships by Mr. Mauro and Encore. Count one, directed at Mr. Mauro, alleges breach of contract of the non-solicitation provisions of the Agreement. Count two, directed at Mr. Mauro, alleges breach of contract of the non-disclosure and non-use provisions of the Agreement. Count three, directed at Mr. Mauro, alleges violations of the ITSA; court four, directed at Defendant Encore, alleges interference with contract. Finally, count five, directed at both Defendants Mr. Mauro and Encore, alleges interference with business relations and prospective business relations. Defendants filed their Motion to Dismiss, the present Motion before the Court, on February 2, 2001. [FN3] For the following reasons, counts three and five are dismissed without prejudice, and the Motion with respect to counts one, two and four is denied.

FN2. The Court has jurisdiction pursuant to 28 U.S.C. § 1332.

FN3. On February 2, 2001, when Defendants filed their Motion to Dismiss, they attached Mr. Mauro's affidavit contesting various factual allegations contained in the Complaint. At a status hearing on February 12, 2001 before this Court, Defendants' counsel withdrew Mr. Mauro's affidavit. Accordingly, the Court will not be considering Mr. Mauro's affidavit, or any references to it or arguments based upon it, in ruling on Defendants' Motion to Dismiss. *See, e.g., Automated Concepts Inc. v. Weaver, No. 99 C 7599, 2000 WL 1134541, at \* 3 (N.D.Ill. Aug. 9, 2000)* (holding that, in a motion to dismiss, the court may not rely upon affidavits or other materials addressed to the truth or falsity of plaintiff's factual assertions) (citation omitted).

#### STANDARD FOR MOTION TO DISMISS

Defendants' Motion, which is brought solely pursuant to Federal Rule of Civil Procedure 12(b)(6), alleges that CBSI has failed to properly plead claims against Defendants for which relief may be granted. The purpose of a 12(b)(6) motion to dismiss, for failure to state a claim upon which relief can be granted, is to test the sufficiency of the complaint. Chicago Dist. Council of Carpenters Pension Fund v. G & A Installations, Inc., No. 95 C 6524, 1996 WL 66098, at \*1 (N.D.Ill. Feb. 8, 1996). In deciding a Rule 12(b)(6) motion, the Court accepts as true all well-pled factual allegations in the complaint, and draws all reasonable inferences therefrom in the plaintiff's favor. Conley v. Gibson, 355 U.S. 41, 45-46 (1957); Lashbrook v. Oerkfitz, 65 F.3d 1339, 1343 (7th Cir.1995). No claim will be dismissed unless "it is clear that no relief could be granted under any set of facts that could be proved consistent with the allegations." Hishon v. King & Spalding, 467 U.S. 69, 73 (1984) (citation omitted). However, a complaint must sufficiently allege facts which set forth the essential elements of the cause of action. Gray v. Dane County, 854 F.2d 179, 182 (7th Cir.1988). Therefore, the plaintiff's complaint must comply with Rule 8(a) of the Federal Rules of Civil Procedure by setting out "a short and plain statement of the claim showing that the pleader is entitled to relief." Baxter by Baxter v. Vigo County School Corp., 26 F.3d 728, 734 (7th Cir.1994).

#### DISCUSSION

Because this is a diversity action, the Court must assess the adequacy of the pleadings under federal law, rather than the stricter requirements of fact pleading under Illinois law. Ganton Technologies, Inc. v. Quadion Corp., 755 F.Supp. 203, 207 (N.D.Ill.1990). As long as Defendants are on sufficient notice of the nature of the claim, Plaintiff has satisfied federal notice pleading requirements. *Id.* With these principles in mind, the Court turns to the five counts in Plaintiff's Complaint.

#### I. Counts One and Two: Breach of Contract [FN4]

FN4. Although Defendants group Count II (breach of the non-use and non-disclosure provisions) and Count III (violations of the ITSA) together in arguing that they should be dismissed, the Court finds that Count II is essentially a breach of contract claim, and therefore is more analogous to Count I. Furthermore, as explained in more detail *infra*, while failure to plead that Mr. Mauro actually used confidential information is critical to CSBI's claim under the ITSA, it is not critical to its breach of the non-use and non-disclosure provisions of the Agreement, which is essentially a breach of contract claim.

\*4 Counts one and two adequately state claims for breach of contract under Illinois law. [FN5] A plaintiff must allege the following elements in order to state a claim for breach of contract under Illinois law: (1) the existence of a valid contract; (2) performance by plaintiff; (3) breach of contract by defendant; and (4) resultant injury to plaintiff. Arifin v. Schude, No. 98 C. 1591, 1999 WL 342395, at \*5 (N.D.Ill. May 14, 1999). With respect to counts one and two--breach of the non-solicitation, non-use and non-disclosure provisions in the Agreement--CBSI has alleged that (1) upon Mr. Mauro's separation from CBSI, CBSI and Mr. Mauro entered into a valid and binding agreement under Illinois law (which contained non-solicitation, non-use, and non-disclosure provisions) (Complaint ¶¶ 17-18); (2) CBSI paid a lucrative severance and other consideration under the Agreement (Complaint ¶ 18); (3) Mr. Mauro breached the Agreement (Complaint ¶¶ 22-23, 25-26, 29, 32); and (4) CBSI has been and will be injured by the breach (Complaint ¶¶ 30-32, 35, 40).

FN5. In a diversity action, the Court applies

Not Reported in F.Supp.2d  
 2001 WL 290196 (N.D.Ill.), 58 U.S.P.Q.2d 1399  
 (Cite as: 2001 WL 290196 (N.D.Ill.))

the substantive law of the forum state. Sanders v. Franklin, 25 F.Supp.2d 855, 858 (N.D.Ill.1998). Furthermore, both parties acknowledge that Illinois law applies to the Agreement.

Defendants argue that CBSI has failed to plead a particular factual allegation, namely that Mr. Mauro had contact with a CBSI customer between February 18, 1999 and February 18, 2000. More specifically, Defendants contend that CBSI fails to allege that Mr. Mauro had contact with either Ameritech or Boise Cascade for the twelve months prior to his resignation. Defendants are correct that merely soliciting Ameritech or Boise Cascade, and competing directly with CBSI, does not automatically constitute a breach of the Agreement, because the Agreement contains a temporal fix (12 months). Indeed, as CBSI points out, the nature and frequency of Mr. Mauro's contact with CBSI's clients during the final year of his employment may well be a disputed fact issue in this litigation. Nonetheless, the Federal Rules of Civil Procedure do not require particular facts to be alleged in the complaint. Arifin, 1999 WL 342395, at \*5. In this respect, the reasoning in Morris v. Katz, No. 97 0657, 1988 WL 107321, at \*2 (N.D.Ill. Oct. 5, 1988) (citations omitted) (emphasis added) is particularly instructive:

In an action for breach of contract, the plaintiff must allege the formation of the contract, the terms of the alleged contract, that the plaintiff has performed his contractual obligations, that the defendant has breached the contract and that the plaintiff has been damaged. *Plaintiff need not allege all of the specific, relevant facts pertaining to the alleged contract.* The FRCP do not dictate that plaintiff is required to plead with more particularity. *Mere failure to allege more specific information does not warrant dismissal of the complaint.*

On a motion to dismiss, the relevant inquiry is not whether the plaintiff will ultimately prevail, but whether the plaintiff could prove a set of facts that would entitle him to relief. *Id.* Indeed, the Seventh Circuit has stated that "a complaint does not fail to state a claim merely because it does not set forth a complete and convincing picture of the alleged wrongdoing." Bennett v. Schmidt, 153 F.3d 516, 518 (7th Cir.1998) (citation omitted). In the case *sub judice*, Defendants are certainly put on sufficient notice of CBSI's breach of contract claim for non-solicitation (Count I), as well as its claim for breach of the non-use and non-disclosure provisions (Count II). Therefore, resolution of these issues through a Rule 12(b)(6) motion is inappropriate.

## II. Count Three: Violations of the Illinois Trade Secrets Act

\*5 In order to state a claim for misappropriation under the ITSA, a plaintiff must plead that the information at issue was (1) a trade secret; (2) misappropriated; and (3) used in defendant's business. Abbott Laboratories v. Chiron Corp., 97 C 0519, 1997 WL 208369, at \*3 (N.D. Ill. April 23, 1997) (citation omitted). A trade secret is information "that (1) is sufficiently secret to derive economic value, actual or potential, from not being generally known to other persons who can obtain economic value from its disclosure or use and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality." *Id.*; citing 765 ILCS § 1065/2(d).

Although Defendants argue that CBSI merely asserts, in a conclusory fashion, that it has trade secrets, the Court finds that CBSI has adequately pled that it has confidential information and trade secrets. Indeed, the Complaint clearly alleges that, while employed by CBSI, Mr. Mauro had access to CBSI's most valuable and sensitive information, including case and client studies, customer and employee lists, market analyses, gross margins, marketing materials, pricing lists, technological research reports, and client process and operation data, all of which was confidential. (Complaint ¶ 24.) Furthermore, the Complaint alleges that CBSI goes to great lengths to ensure that this material remains confidential by requiring its employees to sign non-disclosure agreements and by maintaining a company-wide limited access policy. (*Id.*) The Court finds that CBSI has adequately pled that the information at issue is a trade secret. [FN6]

FN6. CBSI cites Stampede Tool Warehouse, Inc. v. May, 651 N.E.2d 209 (Ill.App.Ct.1995) and PepsiCo, Inc. v. Redmond, 54 F.3d 1262 (7th Cir.1995) for the proposition that customer lists, advertising, pricing, marketing and distribution information may be information that constitutes a trade secret. Defendants argue that these cases do not stand for the proposition that *every time* an employer has this information, it is truly confidential and a trade secret. While this is undoubtedly true, it is irrelevant on a motion to dismiss, where the Court must accept Plaintiff's well-pled allegations as true. In other words, whether CBSI's customer lists, etc., are truly trade



secrets under the ITSA will be borne out at a later phase in this litigation. *See, e.g., Strata Marketing, Inc. v. Murphy*, 740 N.E.2d 1166, 1176-77 (Ill.App.Ct.2000) (finding that plaintiff pled sufficient facts to withstand motion to dismiss in connection with alleging the existence of trade secrets and reasonable efforts to protect them, where at least some of the information plaintiff argued constituted a trade secret had been held to be a trade secret in other cases).

Nonetheless, the Court agrees with Defendants that CBSI has failed to adequately plead that Mr. Mauro *actually used* trade secrets in its solicitation of CBSI's clients. Rather, CBSI essentially alleges that Mr. Mauro, who possesses CBSI's confidential and proprietary information, *could* misuse the information, and that CBSI fears that he will. [FN7] *See Abbott Laboratories, supra*, 1997 WL 298369, at \*3 (finding plaintiff's allegations of trade secret misappropriation deficient in part, because plaintiff essentially alleges that defendants could misuse trade secrets and plaintiffs fear they will); *Magellan Intern. Corp., supra*, 76 F.Supp.2d at 927 (same); *Teradyne, Inc. v. Clear Communications Corp.*, 707 F.Supp. 353, 357 (N.D.Ill.1989) ("All that is alleged, at bottom, is that defendants could misuse plaintiff's secrets, and plaintiffs fear they will. This is not enough. It may be that little more is needed, but falling a little short is still falling short.")

[FN7]. Specifically, the Complaint generally states, in conclusory fashion, that "Mauro has used and/or will necessarily be called upon to use and disclose such information in improperly soliciting Ameritech." (Complaint ¶ 26.) Despite this conclusion, there are no factual allegations that Mr. Mauro has, in fact, used trade secrets. *See Magellan Intern. Corp. v. Salzitter Handel GmbH*, 76 F.Supp.2d 919, 927 (N.D.Ill.1999) (finding that, where plaintiff alleged that "its trade secrets have been or will be misappropriated", this failed to state a claim of threatened or actual misappropriation under the ITSA, where the complaint failed to state that defendant had "in fact used or threatened to use the asserted trade secrets ..."). As explained *infra*, CBSI's argument is essentially one of "inevitable disclosure." The Complaint further states, under the specific count for violations of the ITSA, that "Mauro's access

to CBSI's trade secrets, coupled with his post-employment soliciting of CBSI's clients, evidences his disclosure and/or use, or inevitable disclosure and/or use, of CBSI's trade secrets ..." (Complaint ¶ 56.) Again, CBSI does not satisfactorily allege that Mr. Mauro has, *in fact*, used trade secrets in his solicitation of Ameritech or other CBSI's clients. Merely soliciting clients--even in violation of the Agreement--does not automatically show that Mr. Mauro has *actually* divulged confidential trade secrets in violation of the ITSA.

CBSI argues that it has alleged that Mr. Mauro will "inevitably use" such trade secrets and confidential information in directly competing with CBSI. While the Seventh Circuit has recognized the doctrine of "inevitable disclosure" (*see PepsiCo, Inc., supra*, 54 F.3d at 1269-70 (holding that, in working for a competitor, defendant would inevitably rely upon plaintiff's trade secrets, because defendant could not help but use the information "unless [defendant] possessed an uncanny ability to compartmentalize information ...")), as Defendants point out, it is unclear to the Court how this doctrine applies to the case *sub judice*. In cases that have successfully applied the "inevitable disclosure" doctrine, the employee had agreed that he would not compete with his former employer for a fixed period of time, and the court found that the defendant "could not operate or function without relying on [plaintiff's] alleged trade secrets." *Strata Marketing, supra*, 740 N.E.2d at 1179. But, in the case at bar, CBSI agreed that Mr. Mauro can solicit any CBSI clients and can even compete with CBSI, provided that Mr. Mauro had no contact with the client from February 18, 1999 to February 19, 2000. [FN8]

[FN8]. In *Strata Marketing*--a case that CBSI relies on to argue the applicability of the inevitable disclosure doctrine--the defendant agreed not to provide services to any business that was a competitor of plaintiff's for one year following defendant's termination. 740 N.E.2d at 1169. Furthermore, in *PepsiCo*, the defendant employee had signed a confidentiality agreement (but no non-compete or non-solicitation agreement), and the court found that the plaintiff had proved that the defendant employee could not help but rely on the plaintiff's trade secrets because of the high level nature of his job. Here, the case is *inapposite*, because clearly Mr. Mauro can

compete with CBSI without having to disclose trade secrets, as the Agreement affirmatively allows Mr. Mauro to immediately compete with CBSI and solicit its clients, as long as Mr. Mauro had no contact with the clients for a one-year period prior to his resignation. *See also Magellan Intern. Corp., supra*, 76 F.Supp.2d at 927 (stating that, even when a defendant is in possession of secret information, disclosure of that information is not inevitable) (citation omitted).

\*6 Furthermore, even if the inevitable disclosure doctrine could apply to these facts (the Court has its doubts), CBSI has failed to properly plead that Mr. Mauro will "inevitably" use CBSI's confidential information. In *Teradyne, supra*, the court refused to apply the inevitable disclosure doctrine, because the plaintiffs had failed to allege that the defendants, in fact, threatened misappropriation, or that it was inevitable that they would do so. 707 F.Supp. at 356. "An allegation that the defendants said they would use secrets or disavowed their confidentiality agreements would serve this purpose. An allegation that [defendant] could not operate without [plaintiff's] secrets ... would suffice ..." *Id.* As in *Teradyne*, the Court finds that CBSI has failed to satisfactorily allege a violation of the ITSA.

Nonetheless, the Court grants the motion to dismiss Count III without prejudice. If CBSI can, in good faith, amend its Complaint to allege that Mr. Mauro actually used trade secrets in soliciting CBSI's clients, that he disavowed the confidentiality provisions of the Agreement, or that he cannot operate without inevitably disclosing the confidential information, then it may do so. The Court points out, however, that it has serious doubts that the inevitable disclosure doctrine applies to the facts of this case, where Mr. Mauro is allowed under the Agreement to solicit and compete with CBSI. If CBSI decides to amend its Complaint to argue "inevitable disclosure" (as opposed to actual misappropriation), it should keep this caveat in mind.

### III. Count Four: Interference with Contractual Relations

CBSI has satisfactorily alleged a claim for interference with contractual relations. Under Illinois law, the five essential elements to establish a *prima facie* claim for tortious interference with contractual relations include: (1) the existence of a valid and enforceable contract between plaintiff and another

party; (2) that the defendant was aware of the contractual relationship; (3) an intentional and unjustified inducement of a breach of the contract by the defendant; (4) the subsequent breach of the contract by the other party, caused by defendant's inducement; and (5) damages. *Fine Line Distributors, Inc. v. Rymer Meats, Inc.*, 93 C 5685, 1994 WL 282299, at \*2 (N.D. Ill. June 22, 1994) (citation omitted).

In the case *sub judice*, CBSI has alleged that CBSI has an existing Agreement with Mr. Mauro, where Mr. Mauro is contractually obligated not to solicit certain CBSI clients and not to divulge or use CBSI's confidential or proprietary information. (Complaint ¶¶ 17-18, 64-65.) Encore is fully aware of this Agreement between Mr. Mauro (its President and CEO) and CBSI, as well as the Agreement's contractual obligations. (*Id.* at ¶ 66.) In marketing or performing services for CBSI clients, including Ameritech, Mr. Mauro has breached the Agreement. (*Id.* at ¶¶ 23, 29, 65.) Encore was aware that, by having Mr. Mauro solicit certain CBSI's clients, it instigates Mr. Mauro's aforementioned breaches of the Agreement. (*Id.* at ¶ 67.) CBSI has been and will be damaged by Encore's conduct. (*Id.* at ¶ 70.) Accordingly, based on federal pleading standards, CBSI has satisfactorily stated a claim for tortious interference with contractual relations. [FN9]

[FN9. Defendants argue that CBSI has failed to allege that Encore "unjustifiably" induced the breach, and only alleged that Encore "intentionally interfered" with the Agreement. While CBSI did not use the word "unjustifiably" in its Complaint, under the liberal pleading requirements, this is not fatal to its claim. Indeed, CBSI provides enough inferential allegations to support its theory that Encore's inducement was unjustified, and clearly alleges sufficient facts to outline its cause of action. *See Davis v. Frapolly*, 747 F.Supp. 451, 452 (N.D.Ill.1989) ("The complaint must state either direct or inferential allegations concerning all of the material elements necessary for recovery under the relevant legal theory.")

### IV. Count Five: Interference with Prospective Economic Advantage

\*7 CBSI has failed to adequately plead that Defendants tortiously interfered with CBSI's economic advantage. Under Illinois law, the essential

elements for this claim are: (1) the plaintiff's reasonable expectation of entering into a valid business relationship; (2) the defendant's knowledge of the plaintiff's expectancy; (3) purposeful interference by the defendant that prevents the plaintiff's legitimate expectancy from being fulfilled; and (4) damages to the plaintiff resulting from the defendant's interference. *Fine Line Distributors, Inc., supra*, 1994 WL 282299, at \*4. While CBSI adequately pleads elements one, two and four, it has not pled element three: that a business expectancy *has not been fulfilled*, or as Defendants articulate, that a business relationship failed to materialize. See *id.* ("Nowhere in the complaint does plaintiff take the necessary step of identifying any individuals or companies *who refused to do business* with plaintiff because of defendants' alleged interference ...") (emphasis added).

In the case at bar, CBSI has not only failed to allege that a CBSI client, such as Ameritech or Boise Cascade, has refused to do business with CBSI, but has even alleged that it is currently still doing business with Ameritech and Boise Cascade. Paragraph 20 of the Complaint states: "At the time Mauro resigned from CBSI, CBSI was performing consulting services for Ameritech and Boise Cascade, and *continues to do so.*" (Emphasis added.) Therefore, reading the Complaint in its entirety, it is not clear that a business expectancy has failed to materialize with one of CBSI's clients.

Nonetheless, the Court will, again, dismiss this count without prejudice. If CBSI can allege, in good faith, that, because of Defendants' conduct, a business expectancy has, in fact, failed to materialize with one of its clients, then it may amend its Complaint. If not, then CBSI must drop this count. [FN10]

FN10. Defendants argue that the counts in the Complaint should be dismissed *with prejudice*, because CBSI could have amended its Complaint but chose not to. Therefore, Defendants maintain that CBSI has essentially exhausted its opportunity to amend its Complaint, and they cite *Peaceful Family Limited Partnership v. Van Hedge Fund Advisors, Inc.*, No. 98 C 1539, 1999 U.S. Dist. LEXIS 1838, at \*27-28 (N.D.Ill. Feb. 19, 1999) for this proposition. However, in *Peaceful Family Limited Partnership*, the plaintiffs had actually amended their complaint three times before the court refused a fourth opportunity. In the case at bar, CBSI is on its original

Complaint. The Court finds that CBSI should be given an opportunity to amend its Complaint, if it can, in good faith, correct the deficiencies discussed *supra*.

#### CONCLUSION

For the reasons set forth above, counts three and five of CBSI's Complaint are dismissed without prejudice. Counts one, two and four have satisfactorily stated a claim for relief. Accordingly, Defendants' Motion is granted in part and denied in part.

IT IS THEREFORE ORDERED that:

Defendants' Motion to Dismiss be, and the same hereby is, GRANTED IN PART, and DENIED IN PART.

2001 WL 290196 (N.D.Ill.), 58 U.S.P.Q.2d 1399

#### Motions, Pleadings and Filings (Back to top)

• [1:01CV00363](#) (Docket)  
(Jan. 18, 2001)

END OF DOCUMENT

# **Annex 2**

Westlaw.

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**H**  
**Motions, Pleadings and Filings**

Only the Westlaw citation is currently available.

United States District Court,  
District of Columbia.

STATE of New York, et al., Plaintiffs  
v.  
MICROSOFT CORPORATION, Defendant.

No. Civ.A. 98-1233 CKK.

Nov. 18, 2002.

ORDER

KOLLAR-KOTELLY, J.

\*1 Presently pending before the Court is the MDL Plaintiffs' Motion for Leave to Intervene and Motion to Clarify or Modify the Protective Order and Defendant Microsoft's partial opposition thereto. In its partial opposition, Microsoft "does not object in principle to a modification of the Protective Order," but raises the concern that various third-parties who produced documents in conjunction with the remedy phase of this proceeding would not have an opportunity to be heard on the issue. Microsoft Partial Opp'n. at 1. In response to the concerns raised in Microsoft's partial opposition and pursuant to Court order, the MDL Plaintiffs sought and obtained some form of consent to their proposed intervention and modification of the Protective Order in this case from nearly all of the various third-parties affected by the proposed modification. [FN1]

[FN1. The MDL Plaintiffs in their August 30, 2002 Reply Memorandum informed the Court that they had reached agreement with all but five third-parties. This Court on September 13, 2002 ordered that if the five parties remained "unable to reach an agreement with the MDL Plaintiffs regarding Plaintiffs regarding modification of the Protective Order in this case, ... they shall file ... brief memoranda specifying the basis for their objections." *State of New York*

*v. Microsoft Corp.*, No. 98-1233 (D.D.C. Sept. 13, 2002). Only Dell Computer Corporation and Gateway, Incorporated ("Gateway") filed such objections. The Court takes notice of these objections and does not include these two non-parties in this order. The Court interprets the silence of the other non-parties as a concession to the MDL Plaintiffs' request for access. The Court continues to urge these third-parties to reach an amicable resolution regarding the provision of access to documents by the MDL Plaintiffs.

Having resolved Microsoft's primary objection, the Court addresses Microsoft's two remaining objections to the modification proposed by the MDL Plaintiffs. Microsoft first objects that only "relevant" information should be provided to the MDL Plaintiffs. Microsoft's objection places this Court in the difficult position of determining whether documents produced during discovery in this action are relevant to the MDL proceeding presently pending in United States District Court for the District of Maryland. While the MDL Plaintiffs are not incorrect that their request for modification is properly directed at the issuing Court, MDL Reply at 10 (citing *Wilk v. American Medical Ass'n*, 635 F.2d 1295, 1299 n.8 (7th Cir.1980), this Court need not make the determination of relevance the MDL Plaintiffs seek. This Court may modify the protective order, with the consent of the affected third parties, so as to remove the first obstacle presently preventing access to certain documents. If, however, Microsoft desires to seek further protection from access to those documents on relevance grounds, that is an obstacle which must be removed by another court. Said otherwise, Microsoft's relevance arguments are properly addressed to the court presiding over the litigation for which the documents are sought. Therefore, the Court determines to modify the Protective Order in this case so as to authorize access to documents produced by third-parties during these proceedings, but declines to determine if, once access is no longer hindered by the Protective Order in this case, such access may be barred on grounds of relevancy. That relevancy determination rests with another court.

Microsoft also objects to modification of the Protective Order unless Microsoft's in-house counsel

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is provided access to the documents produced to the MDL Plaintiffs. The order pursuant to which the relevant third-parties produced materials to Microsoft provided that for information designated as "Highly Confidential," Microsoft's in-house counsel would not be permitted access. Microsoft proposes to modify the status quo based upon its notion of "fundamental fairness." Microsoft Partial Opp'n. at 12.

\*2 While undoubtedly Microsoft's in-house counsel are significant members of its litigation team, the Court disagrees that the notion of "fundamental fairness" demands this substantial alteration of the terms of the Protective Order. The relevant third parties produced sensitive documents pursuant to the belief that Microsoft's in-house counsel would not have access to such documents. The vast majority of these third parties have consented to some modification of the Protective Order, as proposed by the MDL Plaintiffs. The Court would regard the belated provision of access to information to Microsoft's in-house counsel as fundamentally unfair to those parties who produced information *in reliance* upon the fact that Microsoft's in-house counsel would not have access. The Court further rejects as wholly unsupported Microsoft's bold contention that the denial of access to in-house counsel, while other counsel of record had access to the very limited group of documents designated as "Highly Confidential," would "prejudice Microsoft's ability to defend itself" against the MDL Plaintiffs. *Id.* Accordingly, the Court shall deny Microsoft's request to provide in-house counsel with access to any "Highly Confidential" information provided to the MDL Plaintiffs.

Based on the foregoing, it is this 18th day of November, 2002, hereby

ORDERED that the Motion of the MDL Plaintiffs in the action *In re: Microsoft Corp. Antitrust Litigation*, MDL No. 1332, pending in the United States District Court for the District of Maryland, to Intervene is GRANTED for the limited purpose of this Order; and it is further

ORDERED that effective upon entry of this Order, the Stipulation and Protective Order ("Protective Order") filed May 27, 1998 by this Court, and re-entered on September 28, 2001, is modified to permit access by outside counsel for the MDL Plaintiffs to certain documents and other materials listed below that had been designated as either "Confidential" or "Highly Confidential" in this action pursuant to the

terms of the Protective Order, solely for use in the proceedings in which access to "Confidential" or "Highly Confidential" documents is permitted by the Stipulated Revised Protective Order entered in the MDL Proceeding on September 5, 2000. Access to and use of the materials otherwise shall be governed by the terms of the Protective Order, including but not limited to all restrictions set forth in the Protective Order regarding access to the materials by counsel for the MDL Plaintiffs and Microsoft and by other individuals, with the exception that certain additional modifications, as set forth below, shall apply as to particular third parties. Except where otherwise indicated, or curtailed by order of the court presiding in the MDL case, the materials shall be produced by Microsoft and not the third parties.

It is further ORDERED that

1. Pursuant to the terms and conditions described herein, and subject to limitation on the grounds of relevance by the court presiding in the MDL proceeding, the MDL Plaintiffs shall have use of, and have access to, certain documents and other materials produced in the remedies phase of this proceeding by certain third parties as described below.

\*3 2. As to Acer America Corporation; Andrew Appel; Apple Computer, Inc.; Applied Systems, Inc.; Counsel for Association for Competitive Technology; August Capital; Autodesk, Inc.; Jim Barksdale and The Barksdale Group; Best Buy; Charter Communications; Compaq Computer Corp.; Counsel for Computer Industry Association; Citizens Against Government Waste; Eastman Kodak Company; eMachines, Inc.; Fujitsu America, Inc.; IBM Corp.; Intel Corp.; Liberate Technologies; MusicMatch, Inc.; Onyx Software Corporation; Opus-i, Inc.; Oracle Corporation; Qwest Communications; RealNetworks, Inc.; Red Hat, Inc.; Samsung Electronics America, Inc.; Silicon Graphics, Inc.; Steven D. McGeary; Sun Microsystems, Inc.; Progress and Freedom Foundation; Counsel for The Project to Promote Competition and Innovation in the Digital Age; The Software and Information Association; Toshiba America, Inc.; Unisys Corporation; VideoBanner.com; Waggener Edstrom; Weber Shandwick; and Yahoo! Inc., those documents and other materials include: (1) all deposition transcripts and trial testimony and all deposition and trial exhibits offered or proffered (whether or not admitted) by all parties in this action, whether or not designated "Confidential" or "Highly Confidential"; and (2) to the extent not covered by (1) above, all documents produced by any party or

third party in this action, and all reports, summaries or notes of witness interviews and witness statements produced to Microsoft in connection with this action, which relate to the efforts of Intel Corporation to work with the Linux operating system, and Microsoft's response thereto.

3. The materials described above that had been produced in this action by Novell, Inc. ("Novell") include certain pages of documents that had been introduced and/or placed under seal and which Novell contends are not relevant to the MDL Proceeding. Novell will produce to counsel for the MDL Plaintiffs those pages of the documents in redacted form. To the extent that the MDL Plaintiffs desire all or a portion of those pages in unredacted form, they will so notify Novell. Novell will then have 10 days from the date of receipt of such notice to object before this Court to such additional access to those pages by counsel for the MDL Plaintiffs.

4. Advanced Micro Devices, Inc. ("AMD"), and not Microsoft, shall have the responsibility and authority to both designate the responsive AMD documents and to produce those materials to counsel for the MDL Plaintiffs.

5. As to Hewlett-Packard Company ("HP"), the documents and other materials to which counsel for the MDL Plaintiffs shall have access include: (1) HP documents designated by the plaintiff States in this action as potential trial exhibits (State trial exhibits Nos. 310, 1151 and 1127); (2) HP documents designated by Microsoft as potential trial exhibits (DX399-413); (3) HP documents marked as deposition exhibits in the Remedies phase of the Government case; and (4) HP documents admitted in evidence in the Remedy phase of the Government case. All terms of this Order shall apply to access and use of those documents with the exception that access to the documents by Microsoft's designated in-house counsel, and HP's right to object to such access, shall be governed by paragraphs 6 and 7 of the Order Modifying the Protective Order filed on May 18, 2001 in the consolidated action consisting of this action and *United States of America v. Microsoft Corporation*, Civil Action No. 98-1232.

\*4 6. As to America Online, Inc. ("AOL"), the documents and other materials to which counsel for the MDL Plaintiffs shall have access pursuant to the terms of this Order include all documents (MDL bates number AOL0004223- AOL0005657) that AOL previously produced to Microsoft (a) in response to Microsoft's June 15, 2001 subpoena to AOL in the MDL Proceeding and (b) in the remedies phase of this action. In addition, AOL

will produce to counsel for the MDL Plaintiffs, also subject to the terms of the Protective Order, (1) other documents produced by AOL in the remedies phase of this action that fall within the negotiated scope of Microsoft's June 15, 2001 subpoena to AOL in the MDL Proceeding, irrespective of date; (2) documents produced by AOL in the remedies phase of this action that relate to meetings with Microsoft regarding productivity suites, individual productivity applications, or Microsoft operating systems; (3) documents produced by AOL in the remedies phase of this action that either relate to the ability to compete with Microsoft in the distribution of browser software or discuss browser competition from Microsoft or any other company; and (4) documents produced by AOL in the remedies phase of this action that relate to meetings with other software or hardware companies in which competition with Microsoft was discussed. In addition, the three in-house lawyers and two legal assistants identified in Microsoft's Partial Opposition to the MDL Plaintiffs' motion for modification of the Protective Order shall also have access to all of the AOL documents identified above, subject to the other terms of the Protective Order.

7. As to Avanade, Inc.; NEC USA, Inc. and NEC Solutions (collectively "NEC"); and SBC Communications, Inc. ("SBC"), the documents and other materials to which the MDL Plaintiffs shall have access pursuant to the terms of this Order, and which SBC shall produce with respect to its respective materials, include: (1) all proposed and actual trial exhibits, and (2) all sealed deposition or trial testimony related to: (a) operating systems for a PC, (b) word processing software, (c) spreadsheet software, or (d) middleware, excluding testimony on set top television boxes, voice recognition software, digital imaging software or internet access provider agreements. Also as to SBC, with regard to the actual and proffered trial exhibits referred to above, SBC will produce for possible use in the MDL Proceeding redacted versions of those exhibits which certain counsel for the MDL Plaintiffs previously reviewed in unredacted form.

8. As to Sony Corporation of America ("Sony"), Microsoft will produce Sony's proposed and actual trial exhibits. The MDL Plaintiffs will provide counsel for Sony with the production numbers of Sony's proposed and actual trial exhibits produced by Microsoft.

9. As to Palm, Inc. ("Palm"), the documents and other materials to which the MDL Plaintiffs shall have access, and which Palm will produce to the

MDL Plaintiffs, subject to the terms of this Order, include those that fit within the following categories used in connection with a prior production by Palm to the MDL Plaintiffs:

\*5 a. Business And Marketing Plans For Palm Products. Palm will produce its 2000 Annual Strategy Plan and other prior business plans, or documents sufficient to reflect Palm's operating business plans if no formal plans exist. Palm need not conduct any search of its electronic files, including email, unless particular documents necessary to respond to this request do not exist in hard-copy format but do exist in electronic format.

b. Pricing Documents. Palm will produce pricing list documents, as well as product roadmap documents that "slot" various products for certain price points and show launch and end-of-life dates. Palm need not conduct any search of its electronic files, including email, unless particular documents necessary to respond to this request do not exist in hard-copy format but do exist in electronic format.

c. Licensing Agreements And Similar Ventures With Palm OS Licensees. Palm will produce its standard licensing agreement, as well as its list of licensees. In addition, Palm will produce basic information concerning the existence of agreements with other licensees with whom it has entered into non-standard and publicly known licensing agreements.

d. Basic Information About Palm Handhelds And Operating Systems. Palm will produce basic information about its current and prior handheld and OS products, including launch dates, feature sets, etc.

e. Palm's Support Efforts For Independent Software Vendors. Palm will produce its Alliance Program Guide ("APG"), which includes information concerning technical support, funding, technical sharing of APIs, and similar efforts by Palm to encourage independent software vendors ("ISVs") to develop products for the Palm platform. Palm also will produce its Developers Support Program, the forerunner to the APG. In addition, Palm will provide publicly available information about the growth of third-party applications for the Palm OS platform since the beginning of 2000, as well as documents that describe the growth of third-party applications for the Palm OS platform prior to 2000. Finally, Palm will produce other information about developer support that it distributes to the public (e.g., information distributed at trade shows and on Palm's web sites).

f. Palm Organizational Charts. Palm will produce its current organizational charts with the names of

its personnel redacted.

g. Palm OS v. Windows Desktop OS's, Linux Desktop OS, Apple Macintosh OS Comparison Documents. Palm will perform a good-faith, reasonable search for and, if in existence, produce documents responsive to this request. Palm need not conduct any search of its electronic files, including email, unless particular documents necessary to respond to this request do not exist in hard-copy format but do exist in electronic format.

h. Microsoft Refusals To Provide Technical Assistance To Palm Concerning Interoperability Of Palm Products With Microsoft's Desktop OS. Palm will conduct a good-faith inquiry among personnel it believes would have relevant documents or information responsive to this request if they were to exist at all. Palm need not conduct any search of its electronic files, including email, unless particular documents necessary to respond to this request do not exist in hard-copy format but do exist in electronic format. Palm will provide a general description of which personnel were surveyed during this inquiry, as well as produce documents and information, if any exist.

\*6 i. Palm OS Profit Margin Information. Palm will produce profit margin data for its OS Division in the form it exists for Palm's 2001 fiscal year.

10. Notwithstanding the foregoing, to the extent that Microsoft objects on relevance grounds to its own production of documents described herein as discovery in the MDL proceeding, nothing in this Order shall prevent Microsoft from seeking relief from the Court presiding over the MDL proceedings from the requested production of documents addressed by this Order. This Order serves only to make clear that the Protective Order entered in the above-captioned case has been modified by this Order such that it shall not further serve to prevent Microsoft from providing the MDL Plaintiffs with access to and use of the documents described above and pursuant to the terms described above.

SO ORDERED.

2002 WL 31628220 (D.D.C.)

**Motions, Pleadings and Filings (Back to top)**

- [2002 WL 32153577](#) (Trial Filing) Executive Summary (Nov. 01, 2002)
- [2002 WL 32153432](#) (Trial Pleading) Complaint (Jan. 22, 2002)
- [2001 WL 34133944](#) (Verdict, Agreement and



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Settlement) Competitive Impact Statement (Nov. 15, 2001)

• 2001 WL 34133964 (Trial Order) Order (Nov. 02, 2001)

• 1998 WL 34201980 (Trial Motion, Memorandum and Affidavit) Plaintiffs' Joint Response to Microsoft's Motion for Summary Judgment and Reply in Support of Motions for Preliminary Injunction (Aug. 31, 1998)

• 1998 WL 34201988 (Trial Motion, Memorandum and Affidavit) Defendant Microsoft Corporation's Memorandum in Support of its Motion for Summary Judgment (Aug. 10, 1998)

• 1998 WL 34201977 (Trial Motion, Memorandum and Affidavit) Defendant's Motion for an Enlargement of Time to Respond to Plaintiffs' Motion for a Preliminary Injunction and for Entry of a Scheduling Order Providing Defendant with Adequate Time to Conduct Discovery Before Filing its Response (May. 21, 1998)

• 1:98CV01233 (Docket) (May. 18, 1998)

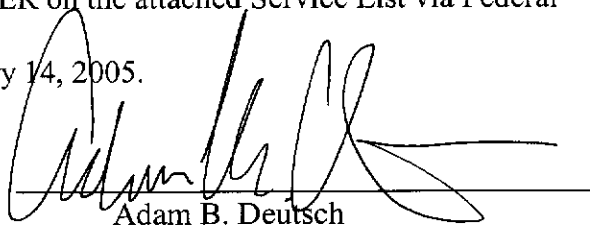
• 1998 WL 34097594 (Trial Order) Order (1998)

• 1998 WL 34097596 (Verdict, Agreement and Settlement) Final Judgment (1998)

END OF DOCUMENT

**CERTIFICATE OF SERVICE**

I, Adam B. Deutsch, hereby certify that I served a copy of the REPLY  
MEMORANDUM OF LAW OF HOUSEHOLD DEFENDANTS IN SUPPORT OF THEIR  
MOTION TO AMEND THE PROTECTIVE ORDER on the attached Service List via Federal  
Express overnight delivery and facsimile on January 14, 2005.



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