

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

MYA SARAY, LLC,

Plaintiff,

v.

AL-AMIR, INC.,

&

ALI HAMMOUD,

Defendants.

Civil Action No. 1:10-cv-789

**MYA SARAY, LLC'S BRIEF IN SUPPORT OF ITS MOTION FOR A PROTECTIVE
ORDER**

Introduction and Factual Background

Mya Saray is a national distributor of hookah products. The company, through its Middle Eastern equivalents, has been in existence in various forms since 1863, and has had an official existence for over 40 years. *Badawi Decl.* at par. 4. Mya Saray distributes and sells hookahs, hookah accessories, and tobacco to every continent, except Antarctica, and distributes and sells hookahs, hookah accessories, and tobacco in most of the countries of the world, including every country in North America, South America, and Europe. *Id.* at 5. Mya Saray is easily both one of the oldest and one of the largest hookah companies in the world. *Id.* at 6. Mya Saray controls every aspect of hookah distribution, from initial design and manufacturing, to distribution and sales. *Id.* Mya Saray currently distributes scores of hookah designs and many hookah accessory products. *Id.* at 7.

In addition to the intellectual property sought to be protected in this suit, Mya Saray also possesses, and seeks to protect, a substantial amount of confidential trade secret information (“Confidential Information”) related to its design, manufacture, distribution and sale of its hookahs. To that end, Plaintiff twice has approached Defendants to enter into a mutually acceptable confidentiality agreement. Defendants have refused to do so. Because Defendants now have sought through discovery to obtain certain Confidential Information, Plaintiff asks that the Court enter the attached proposed protective order, as such order will ensure that Defendants receive relevant information in response to their requests, while also protecting from unrestricted, wholesale production Plaintiff’s confidential trade secret information.

Argument

Fed.R.Civ.P. 26(c)(1)(G) provides that “for good cause shown,” a court may enter a protective order requiring “that a trade secret ... not be revealed or be revealed only in a specified way.” To obtain a protective order under Rule 26(c), the party resisting discovery must establish that the information sought is covered by the rule and that it will be harmed by disclosure. *In re Wilson*, 149 F.3d 249, 252 (4th Cir.1998). If this showing is made, the party seeking the materials then must establish that the information is sufficiently necessary and relevant to its case to outweigh the harm of disclosure. *Id.* Fed.R.Civ.P. 26 confers broad discretion on the trial court to decide when a protective order is appropriate and what degree of protection is required. *Francisco v. Verizon South, Inc.*, --- F.Supp.2d ----, 2010 WL 4909554 at *9 (E.D.Va.2010).

“When dealing with sensitive or proprietary information, courts routinely grant protective orders that limit who may access the disclosed information and how the disclosed information may be used.” *Murphy v. Kmart Corp.*, 255 F.R.D. 497, 503-504 (D.S.D. 2009). Courts have long recognized that although material may be discoverable and relevant for litigation that material is not necessarily subject to unlimited disclosure. *See e.g., Layne Christensen Co. v. Purolite Co.*, 271 F.R.D. 240, (D.Kan. 2010)(“The Court finds that [a party] has shown good cause for a two-tier protective order” that limits party access to proprietary information in a patent infringement and breach of contract suit.). Courts are particularly reticent to permit unrestricted release of sensitive information during discovery to parties that show, or have shown, a proclivity for injuring the disclosing party. *Klayman v. Judicial Watch, Inc.*, 247 F.R.D. 19, 25 (D.D.C. 2007) and *see e.g., Alexander v. FBI*, 186 F.R.D. 54, 58 (D.D.C.1998) (“Ample precedent exists” for such orders “particularly where there is some risk that a party might use the information or disseminate it to others who might employ it to gain a competitive

advantage over the producing party.”)(quoting *Westside-Marrero Jeep Eagle, Inc. v. Chrysler Corp.*, 1998 WL 186728 (E.D.La. Apr.17, 1998) (citing numerous cases)).

A. Entry of a Protective Order is Appropriate Here Because the Materials Defendant Seeks Are Confidential

Entry of a protective order is appropriate here because certain of the materials sought by Defendant are confidential. For example, Discovery Requests Nos. 4, 13, 25, 27, and 28 seek confidential trade secret information from Mya Saray. See Exhibit 1.

Request to Produce 4. Produce all documents that relate to the creation and/or adoption of the Subject Patents.¹

This request is problematic as it purports to seek unrestricted access to confidential documents related to the reasons why Mya Saray adopts the brands and products that it does. The brand decisions of Mya Saray involve complex decisions based on customer feedback, prediction of trends in the applicable market, and decades of knowledge of the applicable market. If Defendants were provided a shortcut to this knowledge, it would constitute an unfair business advantage. Further, such sensitive information could readily be used for improper purposes and to further what quite obviously is a concerted effort by Defendants to copy as much of Plaintiff’s products and business model as possible.

Request to Produce 13. Produce all documents, including but not limited to invoices, sales receipts, and other similar documents that support the claim in your complaint that Plaintiff has made continuous use of the Subject Patents.

Request to Produce 25. Produce all documents relating to the Channels of Trade through which Plaintiff sold products with the Subject Patents since the first use of the Subject Patents.

¹ “SUBJECT PATENTS” shall refer to the USPTO Reg. No. 3,031,439 (“439”), Reg. No. 3,031,440 (“440”), Reg. No. 3,845,276 (“276”), and Reg. No. 7,404,405 (“405”). Exhibit 1. Definitions, e.ix

Request Nos. 13 and 25 likewise seek unrestricted access to confidential documents related to the reasons why, and how, Mya Saray exploits its brands and patents. More specifically, Defendant seeks information related to the entry of brands into new markets and the application of particular brands to particular products and packaging. Of course, the process of determining how to apply branding, rather than simply the use of branding, is a highly-guarded trade secret of any significant national brand. As with the information sought through Request No. 4, such sensitive information is not appropriately shared directly with Defendant as it would both provide Defendant with an unfair business advantage, as well as reveal information that Defendant could use to promote its counterfeiting activities.

Request to Produce 27. Produce all Documents relating to the sale of the Subject Patents within the United States during the Relevant Period, including, by way of example but not limitation, all purchase orders, wire transfers, invoices, receipts, contracts, agreements, and/or sales summaries.

Request to Produce No. 27 seeks unrestricted access to confidential documents related to the internal workings of negotiations between Mya Saray and its distributors to vend Mya Saray's products and the *wire transfers* documenting the account numbers of Mya Saray and its clients. Such information quite clearly is not designed to be shared, and should not be shared, with Defendants. Indeed, the particular obligations that Mya Saray requests of its distributors and the restrictions placed upon the vending of Mya Saray products are secrets not appropriate for widespread distribution. To provide Defendants – who are direct competitors of Mya Saray – with the details of Plaintiff's agreements with its distributors would be tantamount to inviting Defendants to unfairly co-opt those relationships.

Request to Produce 28. Produce any and all documents, including but not limited to invoices, receipts, balance sheets, general ledgers, cash receipts, cash disbursements, accounts receivables, accounts payables, bank statements and/ or federal and state income tax returns showing the amount of profit earned, for the sale of products using the Subject Patents during the Relevant Period.

Similarly, Request No. 28 quite clearly seeks unrestricted access to confidential documents related to accounts receivable, accounts payable and other private financial information. Of course such information, particularly Plaintiff's accounts payable, may include information about materials suppliers, engineering consultants, design consultants, import companies, manufacturers, etc – a virtual treasure trove for a would-be counterfeiter.

In sum, and as the examples discussed above illustrate, much of the information sought by Defendants is confidential in nature, and necessitates the entry of a protective order to ensure its appropriate handling in the discovery and litigation process.

B. The Unprotected Disclosure of Mya Saray's Confidential Trade Secret Information to a Competitor That Regularly Markets Counterfeit Goods Would Cause Mya Saray Substantial Harm.

As the Court is well aware, this action arises out of Defendant's repeated counterfeiting of Mya Saray's products and its adamant refusal to abide by the terms of a prior settlement agreement between the parties prohibiting Defendant Al-Amir's use of imitative products. Indeed, Al-Amir indisputably is a serial counterfeiter that has adopted as its business plan the improper imitation of Plaintiff's (and others') hookahs and hookah-related products. See, e.g., 2:08-cv-12211-JF-MKM (Starbuzz Tobacco, Inc. v. Ali Hammoud et al) and 2:10-cv-11171-GER-DAS (Starbuzz Tobacco, Inc. v. Al-Amir, Inc. et al.). To expose Mya Saray's confidential trade secrets to Defendants would be disastrous and a potential tool to assist Defendants in their future copying endeavors.

If Defendants were provided unfettered access to Mya Saray's product specifications, for example, Defendants would have a ready-made recipe list to hand to a third-party (generally,

offshore) manufacturer to replicate Mya Saray's products in great detail. *Badawi Decl.* at par. 10b. The counterfeit products that presently exist are most likely based upon crude attempts at reverse engineering. *Id.* A listing of specifications and materials would permit heightened duplication that would both adversely affect Mya Saray and the consuming public as it is forced to wade through more sophisticated product forgeries. Furthermore, there are other secret aspects of Mya Saray's hookah production that are only peripherally related to the production of hookahs and may be incidentally referenced in discoverable documents. Examples of these secret aspects may include machinery and processes used in the assembly of the hookahs and components and even specific location of Mya Saray's foreign assembly plants – also secretive information. *Id.* at 10e.

If Defendants were provided unfettered access to all of Mya Saray's brand discussion documents, then Defendants would be privy to the secretive high-level branding decisions. Mya Saray's market and brand trend predictions, and the objective and subjective indicia thereof, would permit Defendants to shadow Mya Saray's market activities more deftly than presently. *Id.* at 10a-c. Mya Saray is a veteran of the hookah tobacco industry while Al-Amir is a newcomer attempting to make a name through imitation; access to information regarding brand decisions would permit Defendants to act on Mya Saray's upcoming product lines even before those product lines were introduced to the market. *Id.* The introduction of counterfeit products into a market immediately clips the demand for genuine products among casual purchasers and would drastically harm Mya Saray. To accelerate Defendants future counterfeiting efforts through its improper use of discovery would vitiate much of the object and purpose of trademark infringement litigation.

Defendants have no basis for unrestricted access to the wire transfer information of Mya Saray and its customers. *Id.* at 10d. The particular obligations that Mya Saray requests of its distributors and the restrictions placed upon the vending of Mya Saray products are trade secrets not fit for widespread distribution. If Al-Amir, Inc. – who is a direct competitor of Mya Saray, and has attempted to distribute to customers of Mya Saray – were to learn of the obligations and precise details of the agreements between Mya Saray and its distributors, Al-Amir would be handed an opportunity to unfairly co-opt those relationships. Furthermore, as distribution agreements are often individually negotiated, permitting even other legitimate distributors of Mya Saray to view the provisions of other legitimate distributors would hinder Mya Saray in its negotiation of future distribution agreements or renegotiation of existing agreements. *Id.* at 10f.

C. Entry of the Attached Proposed Protective Order Would Permit Defendants Access to Relevant Information While Protecting Plaintiff From Improper and Unfair Disclosure of Confidential Information

Although Mya Saray does not necessarily contest that certain of the requested information may be relevant and subject to production, Mya Saray does not agree that it must provide unrestricted access to that information and that it must do so for *any and all* purposes. Rather, Mya Saray requests that the Court enter the Proposed Protective Order. The proposed order is a multi-tiered protective order that is a derivative of the mutual protective order that the United States District Court for the Northern District of California mandates for patent litigation.² An essentially identical protective order has been approved multiple times by this Court, including in 1:08-cv479-GBL/TCB. This protective order provides the Defendants the full scope of information

² <http://www.cand.uscourts.gov/stipprotectorder>. “For patent cases, Patent Local Rule 2-2 provides that the ‘Protective Order authorized by the Northern District of California shall govern discovery unless the Court enters a different protective order.’”

that they seek while providing Mya Saray assurances that sensitive trade secret information will not be distributed to the Defendants individually.

Conclusion

Because Defendant unquestionably seeks confidential and other trade secret information, and because the unlimited disclosure of such information would injure Mya Saray, Mya Saray respectfully requests that the Court enter the attached proposed protective order. The suggested two-tier access: a first level of access to Defendants and their representatives, and a second “attorney’s eyes only” level of access for Defendants’ representatives (e.g. experts) is common in cases where – as here - secret, proprietary information is sought.

