

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

HY-KO PRODUCTS COMPANY LLC,

Plaintiff,

v.

THE HILLMAN GROUP, INC.,

Defendant.

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CIVIL ACTION NO. 2:21-CV-00197-JRG

FILED UNDER SEAL

MEMORANDUM OPINION AND ORDER

Before the Court is Defendant The Hillman Group, Inc.’s (“Hillman”) Motion for a Protective Order (the “Motion”). (Dkt. No. 48). Having considered the Motion and the subsequent briefing, and for the reasons set forth below, the Court finds that the Motion should be **DENIED**.

I. BACKGROUND

On June 1, 2021, Plaintiff Hy-Ko Products Company, LLC (“Hy-Ko”) filed the above-captioned case against Hillman alleging claims of patent infringement, unfair competition, and conversion. (Dkt. No. 1). Hy-Ko and Hillman are competitors in the key duplication industry, and as is made clear from the parties’ briefing, the two companies have a contentious history—most of which occurred during the tenure of Mr. Michael Bass as CEO of Hy-Ko and its predecessor company. Mr. Bass was President and CEO of Hy-Ko’s predecessor since September 30, 2004. (Dkt. No. 55–4 ¶ 3). In July 2020, Hy-Ko’s predecessor sold its assets and assigned its legal claims to Hy-Ko, and Mr. Bass subsequently became the CEO of Hy-Ko. (*Id.* ¶¶ 4–6). Although Mr. Bass expected to serve as CEO of Hy-Ko for five years, he was terminated effective July 31, 2021. (*Id.* ¶¶ 7–8). Before his termination, in January 2021 Mr. Bass signed a consulting agreement wherein he agreed to advise Hy-Ko’s counsel in connection with the prosecution of Hy-

Ko's claims against third parties, including Hillman. (*Id.* ¶ 6; Dkt. No. 48-7). In that agreement, Mr. Bass and Hy-Ko agreed that Mr. Bass would share 15 percent of any net recovery resulting from such litigation. (Dkt. No. 55-4 ¶ 6). This agreement was unaffected by Mr. Bass's termination as CEO of Hy-Ko. (*Id.* ¶¶ 7-8).

On October 24, 2021, Mr. Bass executed Appendix A to the Protective Order where he agreed to be bound by the Protective Order so that he could access information designated as "CONFIDENTIAL" or "RESTRICTED — ATTORNEYS' EYES ONLY." ("Restricted Materials"). (Dkt. No. 55-7). Hy-Ko sought to name Mr. Bass as its party representative under the Protective Order. The relevant paragraph of Appendix A states:

For Protected Material designated RESTRICTED — ATTORNEYS' EYES ONLY, access to, and disclosure of, such Protected Material shall be limited to individuals listed in paragraphs 5(a-b) and (e-g) and one (1) Party representative (including but not limited to an in-house counsel) from each Party who either has responsibility for making decisions dealing directly with the litigation of this Action, or who is assisting outside counsel in the litigation of this Action; provided, however, that access to RESTRICTED — ATTORNEYS' EYES ONLY by the one Party representative shall be limited to a person who exercises no competitive decision-making authority on behalf of the Party and who, before access is given, the representative has completed the Undertaking attached as Exhibit A hereto and the same is served upon the producing Party at least ten (10) days before access to such Protected Material is to be given to that representative to object to and notify the receiving Party in writing that it objects to disclosure of Protected Materials to the representative. The Parties agree to promptly confer and use good faith to resolve any such objection and, if not, proceed in accordance with paragraphs 5(e) of this Protective Order.

(Dkt. No. 43 ¶ 9). The Protective Order also contains a prosecution bar:

Any attorney representing a Party, whether in-house or outside counsel, and any person associated with a Party and permitted to receive the other Party's Protected Material that is designated RESTRICTED -- ATTORNEYS' EYES ONLY and/or RESTRICTED CONFIDENTIAL SOURCE CODE (collectively "HIGHLY SENSITIVE MATERIAL"), who obtains, receives, has access to, or otherwise learns, in whole or in part, the other Party's HIGHLY SENSITIVE MATERIAL under this Order shall not prepare, prosecute, supervise, or assist in the preparation or prosecution of any patent application pertaining to the field of the invention of the patents-in-suit on behalf of the receiving Party or its acquirer, successor, predecessor, or other affiliate during the pendency of this Action and for one year

after its conclusion, including any appeals. To ensure compliance with the purpose of this provision, each Party shall create an “Ethical Wall” between those persons with access to HIGHLY SENSITIVE MATERIAL and any individuals who, on behalf of the Party or its acquirer, successor, predecessor, or other affiliate, prepare, prosecute, supervise or assist in the preparation or prosecution of any patent application pertaining to the field of invention of the patent-in-suit. (*Id.* ¶ 11).

Hillman promptly objected to Mr. Bass’s designation as Hy-Ko’s party representative given Mr. Bass’s executive tenure with Hy-Ko and because Mr. Bass is the named inventor on certain patent applications pending before the U.S. Patent and Trademark Office (“PTO”). (Dkt. No. 48 at 3).

According to Mr. Bass, since his termination, he has not been paid by Hy-Ko or its predecessor and he has no involvement with the management of Hy-Ko. (Dkt. No. 55-4 ¶ 8). His sole role is to act as a consultant to outside counsel on this litigation. (*Id.*). Mr. Bass states that he has retired from the key duplication business, and his only connection to this industry is his role as a consultant to Hy-Ko’s outside counsel. (*Id.* ¶ 11). Mr. Bass also declared that he “will not join or provide services to any company that is in the key duplication business either during this litigation or after it concludes.” (*Id.*).

It also is relevant to Hillman’s Motion that Mr. Bass, as stated above, is a named inventor on patent applications pending before the PTO. Mr. Bass has assigned all rights on the pending patent applications to Hy-Ko and has not had any substantial involvement in the prosecution of the patents since he assigned his rights to Hy-Ko. (*Id.* ¶¶ 9–10). Mr. Bass stated that he will “not prepare, prosecute, supervise, or assist in the preparation or prosecution of any patent application pertaining to the field of the invention of the patents-in-suit on behalf of the receiving Party or its acquirer, success, predecessor, or other affiliate during the pendency of this Action and for one year after its conclusion, including all appeals.” (*Id.* ¶ 13) (quoting the prosecution bar in the

Protective Order). Nevertheless, Hillman objects to Mr. Bass's appointment as Hy-Ko's party representative under the Protective Order.

II. LEGAL STANDARD

In assessing Hillman's objections, the relevant legal source is the Protective Order agreed to by the parties and entered by this Court. Neither party disputes that the Protective Order governs the inquiry. (Dkt. No. 48 at 4; Dkt. No. 55 at 6). As noted above, the Protective Order permits a party to name a party representative to receive Restricted Material. The producing party may challenge that designation under Paragraph 5(e) of the Protective Order:

[O]utside consultants or experts (*i.e.*, not existing employees or affiliates of a Party or an affiliate of a Party) retained for the purpose of this litigation, provided that: (1) such consultants or experts are not presently employed by the Parties hereto for purposes other than this Action; (2) before access is given, the consultant or expert has completed the Undertaking attached as Exhibit A hereto and the same is served upon the producing Party with a current curriculum vitae of the consultant or expert at least ten (10) days before access to the Protected Material is to be given to that consultant or Undertaking to object to and notify the receiving Party in writing that it objects to disclosure of Protected Material to the consultant or expert. The Parties agree to promptly confer and use good faith to resolve any such objection. ***If the Parties are unable to resolve any objection, the objecting Party may file a motion with the Court within fifteen (15) days of the notice, or within such other time as the Parties may agree, seeking a protective order with respect to the proposed disclosure. The objecting Party shall have the burden of proving the need for a protective order.*** No disclosure shall occur until all such objections are resolved by agreement or Court order; (Dkt. No. 43 ¶ 5(e)) (emphasis added).

III. DISCUSSION

As noted above, Hillman raises primary two attacks on Hy-Ko's designation of Mr. Bass as its party representative: (1) Mr. Bass's tenure as Hy-Ko's former President and CEO; and (2) Mr. Bass as a named inventor on pending patent applications. As explained below, the Court is not persuaded that Hillman has shown Hy-Ko improperly named Mr. Bass as its party representative.

A. Mr. Bass's Tenure as Hy-Ko's Former President and CEO is Not Disqualifying

Hillman argues that Mr. Bass cannot be a party representative because his involvement is not “reasonably necessary” as required by the Protective Order. (Dkt. No. 48 at 5–6) (citing Dkt. No. 43 ¶ 5(d)). Hillman argues that Hy-Ko is “represented by able counsel” and “Hy-Ko is free to nominate another party representative that does not carry Mr. Bass’s baggage.” (*Id.* at 6). Hillman notes that Mr. Bass is not a technical expert as Hy-Ko has already disclosed a technical expert. (*Id.*). Hillman also argues that disclosing Restricted Materials to Mr. Bass threatens enormous competitive harm because “Mr. Bass has spent virtually the entirety of his career competing with Hillman and, at his instigation, Hy-Ko has twice sued Hillman.” (*Id.* at 7). Hillman also argues that Mr. Bass has a financial incentive in this litigation and the “notion that Mr. Bass could be trusted to safeguard the secrets of Hy-Ko’s arch-enemy is untenable on its face.” (*Id.*).

Hy-Ko responds, primarily relying on Mr. Bass’s declaration, that Mr. Bass has unique knowledge of the key duplication industry gained through years of experience with Hy-Ko. (Dkt. No. 55 at 13). Hy-Ko argues this experience can be immensely helpful to counsel, and Mr. Bass does not need to be disclosed as a technical expert to be helpful to counsel. (*Id.* at 13–14). Therefore, Hy-Ko argues, Mr. Bass’s assistance is “reasonably necessary.” (*Id.*). Hy-Ko also argues that the fact Mr. Bass has spent his entire career competing with Hillman is not disqualifying and provides no indication that Mr. Bass cannot or will not comply with the Protective Order. (*Id.* at 11). Hy-Ko points to Mr. Bass’s declaration where he “promise[d] that he will not work in the key duplication industry ever again.” (*Id.*) (citing Dkt. No. 55-4 ¶ 11). Hy-Ko points out that Mr. Bass no longer works in the relevant industry, his sole role is to consult

in this case, and he has no role in the management of Hy-Ko or decision-making authority—this, Hy-Ko argues, is enough under the Protective Order. (*Id.* at 12).

The Court is persuaded that Mr. Bass’s assurances in his declaration along with the assurances in the Protective Order are enough to safeguard Hillman’s confidential information. Hillman does not dispute Hy-Ko’s ability to name a party representative—just one, as it contends, with Mr. Bass’s “baggage.” In other words, Hillman is unhappy that Hy-Ko has named Hillman’s long-time rival as a party representative. That is not an appropriate basis to object under the Protective Order. Mr. Bass has provided assurances that he will only be assisting outside counsel in this case—not executives within Hy-Ko. (Dkt. No. 55-4 ¶ 11). This is an important limitation because outside counsel can already access the Restricted Materials, so there is no risk of inadvertent disclosure by Mr. Bass in his consulting role. Further, at the conclusion of this case, Mr. Bass is fully exiting the industry. (Dkt. No. 55 at 12–13) (“Mr. Bass has committed that he will never again work in the key duplication industry.”). This provides yet another safeguard for Hillman. Critically, Mr. Bass has no decision-making authority at Hy-Ko or any other Hillman competitor—and based his promises to leave the industry, never will. Hy-Ko and Mr. Bass have put forth numerous safeguards and promises—more than Hillman will likely obtain from any other Hy-Ko party representative.¹ The Court also is not persuaded that Mr. Bass’s financial interest in the litigation indicates that he will not comply with the Court’s Protective Order. Indeed, counsel for the parties often have a financial interest in the litigation (and may here), yet such does not prevent the disclosure of confidential information. Further, Hillman has failed to show that Mr.

¹ Hillman cites a number of cases that it argues support its position. However, the protective order in those cases are different from the one here and none of those cases offered the number of additional assurances and safeguards that Mr. Bass and Hy-Ko have put forward—all of which persuade the Court that Hillman’s confidential information is protected by sufficient safeguards. (Dkt. No. 48 at 6) (citing *Intel Corp. v. Tela Innovations, Inc.*, No. 3:18-cv-2848, 2019 WL 2476620 (N.D. Cal. June 13, 2019); *Symantec Corp. v. Acronis Corp.*, No. 11-5310, 2012 WL 3582974 (N.D. Cal. Aug. 20, 2012)).

Bass's involvement is not "reasonably necessary." It is not disputed that Mr. Bass has been in this industry for many years and is intimately familiar with the technology, competitors, and other aspects that may aid outside counsel in prosecuting this case.

Accordingly, the Court is not persuaded that Mr. Bass's involvement is not reasonably necessary or will threaten enormous competitive harm.

B. The Fact Mr. Bass is a Named Inventor on Pending Patent Applications is Not Disqualifying

Next, Hillman contends that because Mr. Bass has a continuing obligations to the PTO as a named inventor on pending patent applications may conflict with the prosecution bar in the Protective Order, Mr. Bass should not be permitted received Restricted Materials. (Dkt. No. 48 at 4–5). Hillman acknowledges that, like most employees, Mr. Bass assigned his patent rights to Hy-Ko and/or its predecessor and that most patent applications are prosecuted by patent lawyers or patent agents rather than the inventors. (*Id.*). Yet, Hillman argues, as the named inventor, Mr. Bass is obligated to and signed an oath to the PTO to participate in the prosecution of the pending application. (*Id.*) (citing inventor's duty to disclose information material to patentability under 37 C.F.R. § 1.56). Hillman argues that Mr. Bass cannot uphold his obligations to the PTO and uphold the prosecution bar in this case. (*Id.* at 5).

Hy-Ko argues that Mr. Bass signed the undertaking the Protective Order and "has promised unequivocally that he would comply with the prosecution bar." (Dkt. No. 55 at 7). Hy-Ko points out that Mr. Bass assigned his rights to the inventions long ago and has had no involvement in prosecuting them. (*Id.*). Further, Hy-Ko argues that "[t]here is simply no risk that exposure to Hillman's Highly Confidential material will give rise to an obligation to make a disclosure to the USPTO. Any Hillman information material to patentability would necessarily have to be

information that was available to the public before the priority date of the patents and therefore invalidating under 35 U.S.C. §§ 102 & 103.” (*Id.* at 8).

The Court finds Hillman’s concerns are speculative. Both parties argue that *GPNE Corp. v. Apple Inc.*, No. 5:12-cv-2885, 2014 U.S. Dist. LEXIS 33802 (N.D. Cal. Mar. 13, 2014) support their positions. (Dkt. No. 48 at 7; Dkt. No. 55 at 9; Dkt. No. 58 at 2 n.2). Although that decision involved a different protective order and is not binding on this Court, the Court finds the rationale applicable to the instant case. Hillman’s concern is that Mr. Bass may find something in Hillman’s confidential documents that is material to patentability of the pending applications on which he is a named inventor—at that point, Hillman contends, Mr. Bass will be forced to either violate the Protective Order or his oath to the PTO. The Court disagrees. As Hy-Ko and *GPNE* point out, information material to patentability would need to be public. *GPNE*, 2014 U.S. Dist. LEXIS 33802, at *7–8; Dkt. No. 59 at 2. Therefore, such information is either improperly designated under the Protective Order or does not fall under the PTO disclosure obligations. Hillman argues that such is untrue because Hillman has put forth invalidity contentions including Hillman’s P4 machine as prior art—in doing so, Hillman relies on its own confidential technical documents to demonstrate how the P4 machine works. (Dkt. No. 58 at 2 n.4). This argument is unpersuasive. Hillman’s P4 machine is public and known—the mere fact Hillman has confidential information detailing its operation would not transform publicly available information about its operation to now be considered confidential. Put differently, the Court doubts that any information contained within the technical documentation that was indeed confidential would give rise to Mr. Bass’s duty to disclose.²

² To be clear, the Court does not attempt to offer any opinion or advice as to Mr. Bass’s or any other inventor’s duty to disclose information to the PTO. The Court offers this explanation only to explain why it is not persuaded by Hillman’s argument.


Accordingly, the Court finds that Mr. Bass's status as an inventor on pending patent applications does not disqualify him from being Hy-Ko's party representative under the Protective Order.

IV. CONCLUSION

For the foregoing reasons, the Court finds that Hy-Ko and Mr. Bass have offered significant safeguards that, if followed, will adequately protect Hillman's confidential information. Hy-Ko and Mr. Bass have made serious representations and assurances in this briefing which the Court has materially relied upon in this Memorandum Opinion and Order. The parties are reminded that the Court takes the obligations provided in the Protective Order seriously and will not hesitate to issue sanctions on parties and individuals who fail to comply with the Court's Protective Order.³ *CEATS, Inc. v. TicketNetwork, Inc.*, No. 2:15-cv-01470, 2021 WL 3738847 (E.D. Tex. Aug. 24, 2021). Accordingly, Hillman's Motion is **DENIED**.

So Ordered this

Dec 21, 2021



RODNEY GILSTRAP
UNITED STATES DISTRICT JUDGE

³ The Court considers the representations made by Mr. Bass on equal standing with the provisions of the Protective Order itself and has relied on those representations in reaching a decision in this matter. If later proven to be false, the Court will not hesitate to take appropriate action.