

STATE OF NORTH CAROLINA  
GUILFORD COUNTY

IN THE GENERAL COURT OF JUSTICE  
SUPERIOR COURT DIVISION  
20 CVS 4841

INHOLD, LLC; and NOVALENT,  
LTD.,

Plaintiffs,

v.

PURESHIELD, INC.; JOSEPH  
RAICH; and VIACLEAN  
TECHNOLOGIES, LLC,

Defendants.

**ORDER ON BCR 10.9  
DISCOVERY DISPUTES**

1. This Order addresses three Business Court Rule (“BCR”) 10.9 discovery disputes. The gist of these disputes is that the parties disagree about whether and how to sequence discovery.

2. Plaintiffs are related companies that make and sell antimicrobial protectant products. They claim that the makeup and methods of manufacturing these products are valuable trade secrets. (*See* Am. Compl. ¶ 19, ECF No. 16.) According to the amended complaint, a disgruntled insider, Joseph Raich, stole the trade secrets and other confidential information as early as 2010 and then concealed his misdeeds so that Plaintiffs did not discover them until 2018. (*See, e.g.*, Am. Compl. ¶¶ 43, 54, 69, 122.) Throughout that time, Plaintiffs allege, Raich and two affiliated companies (together, “Defendants”) used the trade secrets to make competing products. (*See* Am. Compl. ¶¶ 12, 121.) Defendants also allegedly obtained product registrations from the Environmental Protection Agency (“EPA”) by false pretenses. (*See* Am. Compl. ¶¶ 45, 46.) Plaintiffs bring claims for breach of fiduciary duty, constructive

fraud, misappropriation of trade secrets, unfair or deceptive trade practices, civil conspiracy, and breach of contract.

3. The case remains in its early stages. Plaintiffs filed their amended complaint in July 2020, followed a month later by Defendants' motion to dismiss the case or to stay it pending resolution of a related administrative proceeding before the EPA. The Court has not yet issued a case management order, and discovery is at a standstill because of the disputes at issue here.

4. Defendants submitted the first BCR 10.9 summary by e-mail just ten days after moving to dismiss the amended complaint. They request a blanket stay pending the outcome of that motion. As an alternative (or if the motion to dismiss is denied), they ask to sequence discovery so that (a) their discovery responses do not become due until Plaintiffs disclose their alleged trade secrets and (b) party discovery precedes all third-party discovery.

5. Plaintiffs oppose any stay or sequencing of discovery. They responded with two BCR 10.9 summaries of their own. The first details Plaintiffs' attempts to serve ten third-party subpoenas and claims that Defendants interfered with the responses to those subpoenas by serving meritless objections. The second also pertains to third-party discovery, this time a subpoena served on a regulatory agent with ties to both sides.

6. On September 15, 2020, the Court held a single hearing on the motion to dismiss or stay, the three BCR 10.9 disputes, and other case management issues, with counsel for all parties present. By separate order, the Court has denied the

motion to dismiss or stay, mooted Defendants' request for a blanket stay. (See ECF No. 33.) Based on the dispute summaries, the parties' responses, and the arguments of counsel, the Court concludes that formal briefing on the remaining BCR 10.9 matters is unnecessary and elects to resolve them without further proceedings. See BCR 10.9(b)(3).

7. The Rules of Civil Procedure allow parties to obtain discovery on any relevant, nonprivileged matter that is "reasonably calculated to lead to the discovery of admissible evidence." N.C. R. Civ. P. 26(b)(1). Even so, the Court has wide discretion to "limit or condition discovery under certain circumstances." *DSM Dyneema, LLC v. Thagard*, 2014 NCBC LEXIS 51, at \*9 (N.C. Super. Ct. Oct. 17, 2014) (citation and quotation marks omitted). This includes the power not only to issue protective orders (especially in cases involving trade secrets and confidential information), see N.C. R. Civ. P. 26(c), but also to tailor discovery through the case-management process envisaged by this Court's rules, see BCR 9.1(a), 10.1, 10.3(a)–(b).

8. As this Court has observed, it is common in cases alleging misappropriation of trade secrets to require the plaintiff to identify its trade secrets with particularity before allowing discovery of the defendant. See *DSM Dyneema*, 2014 NCBC LEXIS 51, at \*11–12 (collecting cases). There are several reasons for doing so. A pre-discovery disclosure aids the trial court in determining the relevancy and scope of discovery, prevents fishing expeditions, shields the defendant from unnecessary disclosure of its own confidential information, and "permit[s] the defendant a fair

opportunity to develop its defense.” *Id.* at \*13–15. In some cases, the worry is that the plaintiff will plead its trade secrets broadly and then “mold its cause of action around the discovery it receives.” *Id.* at \*14 (quoting *Switch Commc’ns Grp. v. Ballard*, No. 11-cv-00285, 2012 U.S. Dist. LEXIS 85148, at \*11 (D. Nev. June 19, 2012)).

9. The approach taken in *DSM Dyneema* is sound and especially appropriate here. Indeed, Plaintiffs have already abandoned some of their alleged trade secrets, having conceded at the hearing that certain information became publicly available long ago in connection with disclosures made to the EPA. (See Am. Compl. ¶ 20.) That casts doubt on the validity of the claimed trade secrets and raises uncertainty about what Defendants are accused of misappropriating.

10. In addition, the amended complaint does not describe the trade secrets with the detail needed for the Court to oversee discovery and for Defendants to fairly develop their defense. For example, the amended complaint describes the trade secrets, in part, to include “processes, methods and methodology for synthesizing raw materials to create a stable organo-silane molecule” and “processes, methods and methodology for stabilizing an organo-silane molecule in water, maintaining clarity and antimicrobial properties.” (Am. Compl. ¶ 19.) Even if that description meets the standards for pleading, Plaintiffs cannot take discovery “without identifying the steps in the process and explaining how those steps make the method or process unique.” *DSM Dyneema*, 2014 NCBC LEXIS 51, at \*19 (alteration, citation, and quotation marks omitted).

11. At the hearing, Plaintiffs' counsel argued against sequencing discovery because this case involves the misuse of confidential information in addition to misappropriation of trade secrets. But the amended complaint says little about the confidential information at issue, and Plaintiffs' counsel couldn't describe it to any meaningful degree or explain how it differs from the alleged trade secrets. The vagueness of that allegation further weighs in favor of requiring a pre-discovery disclosure. *See, e.g., Velocity Sols., Inc. v. BSG, LLC*, 2016 NCBC LEXIS 19, at \*16–17 (N.C. Super. Ct. Feb. 22, 2016) (sequencing discovery to require plaintiffs to detail their claim's factual basis before defendant's discovery responses would be due, when plaintiffs broadly claimed improper use of confidential information upon information and belief).

12. The Court in its discretion determines that discovery should be carefully controlled. Before seeking further discovery from Defendants, Plaintiffs must identify the alleged trade secrets with greater particularity.

13. For these reasons, and in its discretion, the Court **ORDERS** as follows:

- a. The parties shall file a proposed consent protective order for the Court's approval no later than September 29, 2020. In light of counsel's representations at the hearing regarding the negotiations so far, the Court is confident in the parties' ability to timely finalize this order without the need for the Court's intervention.

- b. No later than fourteen days after the Court's entry of the consent protective order, Plaintiffs shall serve a disclosure on Defendants identifying the trade secrets at issue with reasonable particularity.
- c. After Plaintiffs have served their trade-secrets disclosure, the parties shall meet and confer regarding the sufficiency of that disclosure. If the parties cannot agree after meeting and conferring, then no later than seven days after Plaintiffs serve the disclosure, Defendants shall submit a BCR 10.9 summary of the dispute. Plaintiffs shall submit any response to that BCR 10.9 summary by e-mail within three days. In conjunction with the BCR 10.9 summary, Plaintiffs' trade-secrets disclosure may be submitted for in camera review.
- d. No discovery responses from Defendants or third parties shall be due until thirty days after the later of Plaintiffs' service of their trade-secrets disclosure or the Court's resolution, if necessary, of any disputes as to its sufficiency.
- e. The Court **DENIES** as moot Defendants' request for a stay of discovery pending a decision on their motion to dismiss or, alternatively, to stay the case.
- f. The Court **DENIES** Defendants' request to postpone third-party discovery until after party discovery is completed.
- g. Nothing in this Order is intended to prevent either side from producing documents they have previously volunteered to produce, including

documents that Defendants' counsel received from KRK Sales and Consulting, LLC relating to work it performed for Inhold, LLC.

**SO ORDERED**, this the 22nd day of September, 2020.

/s/ Adam M. Conrad  
Adam M. Conrad  
Special Superior Court Judge  
for Complex Business Cases