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CAUSE NO. 2014-2287-3

BAYLOR UNIVERSITY, Plaintiff, vs.	§ § § §	IN THE DISTRICT COURT OF
	§	MCLENNAN COUNTY, TEXAS
THE BAYLOR UNIVERSITY ALUMNI ASSOCIATION, Defendant.	§ § § §	74TH JUDICIAL DISTRICT

Defendant's Bench Brief on Discoverability of Baylor's License Agreements

The Baylor University Alumni Association ("BAA") submits this bench brief in support of its Motion to Compel responses to BAA's Requests for Production Nos. 16-21 and Interrogatories Nos. 1-4.

I. The University's Termination-at-Will Argument.

The trademark license agreement between the University and the BAA grants the BAA a "perpetual and fully paid up" license to use the name "Baylor" in certain contexts. The circumstances surrounding its creation indicate that both parties intended it to grant the BAA a right to use the Baylor name as long as the BAA complies with certain obligations set forth in the agreement. The license agreement further mandates certain procedures the University must follow if it seeks to terminate the agreement.

Despite these express terms, the University has taken the position that the BAA license is terminable *at will*—at any time, at Baylor's discretion, and without notice or an opportunity to cure—and that the BAA no longer has the right to call itself the Baylor Alumni Association whether or not it complies with the license obligations. This legal argument will be one of the central disputes in this lawsuit.

The BAA has requested discovery regarding the University's trademark license agreements with terms similar to the one at issue here. Among other things, the BAA has sought (1) agreements under which the University has granted a perpetual term license;[1] (2) each license which includes the word "perpetual"[2] or the phrase "fully paid up,"[3] (3) the University's license agreements with its other prominent licensees, like Baylor College of Medicine and Baylor University Medical Center;[4] (4) terminable licenses;[5] and (5) agreements which are indefinite in duration.[6] The BAA also sought to explore the University's position through a series of interrogatories, including a request that Baylor identify all license agreements that it considered to be terminable "at will."[7]

The University makes two arguments to avoid discovery: (1) its third-party agreements are not relevant to the claims in this case as a matter of law; and (2) even if relevant, the license agreements constitute trade secrets. Both claims fail.

II. Baylor' Third-Party License Agreements are Relevant and Discoverable.

The University has trademark license agreements with third parties, and it is expected that many if not all of them include term provisions which are indefinite in duration. The licenses granted to at least two entities are expressly "perpetual" like the one at issue here. *See* Baylor University's Responses and Objections to BAA's First Interrogatories, at No. 4 (stating, subject to objections, that the licenses granted to Baylor College of Medicine and Baylor College of Dentistry are expressly "perpetual"). The discovery requested by the BAA is relevant to at least five aspects of this case:

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[1] BAA Request for Production No. 16.
[2] BAA Request for Production No. 17.
[3] BAA Request for Production No. 18.
[4] BAA Request for Production No. 19.
[5] BAA Request for Production No. 20.
[6] BAA Request for Production No. 21.
[7] *See* BAA Interrogatory No. 3.

- First, the discovery is relevant to show the University's *intent* to create a "perpetual" license term with respect to the BAA license. As the University acknowledges, transactions with a third party may be admissible to show the intent of a contracting party. *See Columbia Gas Transmission Corp. v. New Ulm Gas, Ltd.*, 886 S.W.2d 294, 301 (Tex. App.—Houston [1st Dist.] 1994, rev'd on other grounds 940 S.W.2d 587) (considering third party agreements to show intent of contracting parties).[8] The Court's analysis of the University's "termination at will" argument will depend, in part, on the "general purpose and true intentions of the parties" to the license agreement. *See University Computing Co. v. Leader Computing*, 371 F.Supp. 86, 88 (N.D. Tex. 1974) (considering intent of the parties and holding that license agreement for indefinite term was not terminable at will). The third-party licenses will show that the University did in fact intend to create a legally-enforceable and long-standing license with the BAA—as it did with its other licensing partners—not a license that is terminable at Baylor's whim.
- Second, the third-party license agreements may be used to aid in the construction and interpretation of the license agreement in this case, to the extent the third-party agreements contain similar provisions. *See Sedona Corp. v. Open Solutions, Inc.*, 249 F.R.D. 19, 24-25 (D. Conn. 2010) (allowing discovery of third-party license agreements which "contain provisions similar to those at issue," even before any finding of ambiguity); *see also* 1 MCCORMICK ON EVIDENCE § 198 (7th ed. 2013) ("Evidence concerning other contracts and business transactions may be relevant to prove the terms of a contract, the meaning of these terms, a business habit or custom, and occasionally, the authority of an agent.") (citing cases).

[8] In *Columbia Gas*, the Texas Supreme Court subsequently held that the contracts at issue were unambiguous so the issue of intent should not have been submitted to the jury. *See id*. at 592.

- Third, the existence of other perpetual-term licenses will tend to disprove the University's contention that its president was not authorized to enter into a perpetual-term license agreement. *See* Plaintiff's Original Petition at ¶ 67 (alleging that "Baylor's signatory was not authorized to bind Baylor beyond a reasonable time, and such time had passed before Baylor noticed the termination"); McCormick, *supra*, § 198 ("When the authority of an agent is in question, other similar transactions that the agent has carried out on behalf of the principal are freely admitted.").
- Fourth, the BAA expects to show that the University has taken a legal position with respect to the BAA's license that is inconsistent with its adherence to similar clauses in licenses with other long-term licensees. This differential treatment will tend to support the BAA's claims that the University has singled out the BAA and engaged in a deliberate scheme to selectively destroy the BAA's legal standing; this scheme forms the basis for the BAA's defenses of estoppel, prior material breach, prevention of performance, and unclean hands. *See* Defendant's Original Answer at ¶¶ 4, 6, 7, and 8.
- Fifth, the existence of other perpetual or indefinite-term licenses helps to illustrate that the public policy considerations underlying the University's "termination at will" argument do not apply in the trademark license context. While the University argues that perpetual-term or otherwise indefinite trademark licenses are categorically unenforceable by the licensee as a matter of public policy, the BAA contends that the public policy concerns behind the termination-at-will rule do not apply in the trademark licensing context. *See, e.g.*, *Baldwin Piano, Inc. v. Deutsche Wurlitzer GMBH*, 392 F.3d 881, 885-86 (7th Cir. 2004) (recognizing that the termination-at-will doctrine "depends on context" and that a "trademark license differs" from the sorts of contracts held to be terminable at will). The existence and terms of

other indefinite-term trademark license agreements help illustrate that a "perpetual" term license is commonplace and perfectly legitimate in the trademark context.

III. There Are No Legitimate Trade Secrets At Issue.

The party seeking protection from discovery on the basis of a privilege has the burden to plead and prove the applicable privilege. *E.g.*, *In re Nance*, 143 S.W.3d 506, 510 (Tex. App.—Austin 2004, orig. proceeding). When the trade secret privilege is asserted as the basis for resisting discovery, the trial court must first determine whether the requested information constitutes a trade secret. *In re Union Pac. R.R. Co.*, 294 S.W.3d 589, 591 (Tex. 2009) (orig. proceeding). The party resisting discovery has the initial burden of establishing that the information sought is a trade secret. *In re Continental General Tire, Inc.,* 979 S.W.2d 609, 613 (Tex. 1998). Even if the resisting party is able to meet this burden, the requesting party may nevertheless obtain the information if it shows a "reasonable necessity" for the requested materials. *Id*. at 611. "In each circumstance, the trial court must weigh the degree of the requesting party's need for the information with the potential harm of disclosure to the requesting party." *Id*. at 613.

As with any claim of privilege, the party resisting discovery must identify the *particular* information alleged to be a trade secret, and must support its allegations with specific evidence. *See In re Cauley*, 437 S.W.3d 650, 656-57 (Tex. App.—Tyler 2014, no pet.); *In re Lowe's Companies, Inc.*, 134 S.W.3d 876, 879 (Tex. App.—Houston [14^{th} Dist.] 2004, no pet.) (conclusory allegations were not sufficient to establish that internal business processes were trade secrets); *see also M-I LLC v. Stelly*, 733 F. Supp 2d 759, 804-05 (S.D. Tex. 2010) (party seeking trade secret protection must show "a particular and specific demonstration of fact, as distinguished from stereotyped and conclusory statements").

The arguments and evidence advanced by the University provide no basis on which the Court may grant protection under TRE 507. The University:

- does not identify the particular information contained in the licenses that it considers to be confidential,
- does not explain how or why the confidentiality of the licenses is important to its operations,
- does not explain how or why this information gives it an advantage over its "competitors,"
- does not identify how this information was developed and at what expense, and
- does not describe the harm it would suffer if the licenses were disclosed to the BAA.

The conclusory statements offered in support of the University's privilege claim are insufficient to establish that its trademark license agreements are so secret that they cannot be disclosed to the BAA.

IV. Any Legitimate Trade Secrets May Be Redacted or Otherwise Protected.

Finally, even if a putative "trade secret" is at issue, it is very likely that a solution may be found through redaction of financial information and limited disclosure. The Court has wide latitude to craft a protective order tailored to the particular circumstances of the case at issue. *See generally* Tex. R. Evid. 507 ("When disclosure is directed, the judge shall take such protective measure as the interests of the holder of the privilege and of the parties and the furtherance of justice may require."); *see also* Wright, Miller & Marcus, 8A FEDERAL PRACTICE & PROCEDURE § 2043 ("In most cases the key issue is not whether the information will be disclosed, but under what conditions.").

Here, it is likely that the University's legitimate commercial interests, if any, may be protected by redacting financial information and royalty terms. The financial terms of the agreements are *not* at issue here and may be redacted. Even if the financial information is deemed to be protected, the remainder of each agreement can and should be produced.[9]

V. Conclusion and Prayer

For the reasons described above, the BAA respectfully requests the following relief:

a) an order denying the University's request for a protective order;

b) an order overruling the University's objections and privileges and compelling the University to fully respond to interrogatories and produce documents in response to requests for production as set forth above; and

c) such further relief as it may be entitled.

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[9] Unlike customer lists, the identities of the licensees are not confidential. Quite the contrary, a trademark licensee is identifiable by its public use of a particular mark, such as "Baylor College of Medicine," "Baylor Scott & White Health," and so forth.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been forwarded to counsel of record on the 19th day of February 2015, via electronic mail as follows:

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