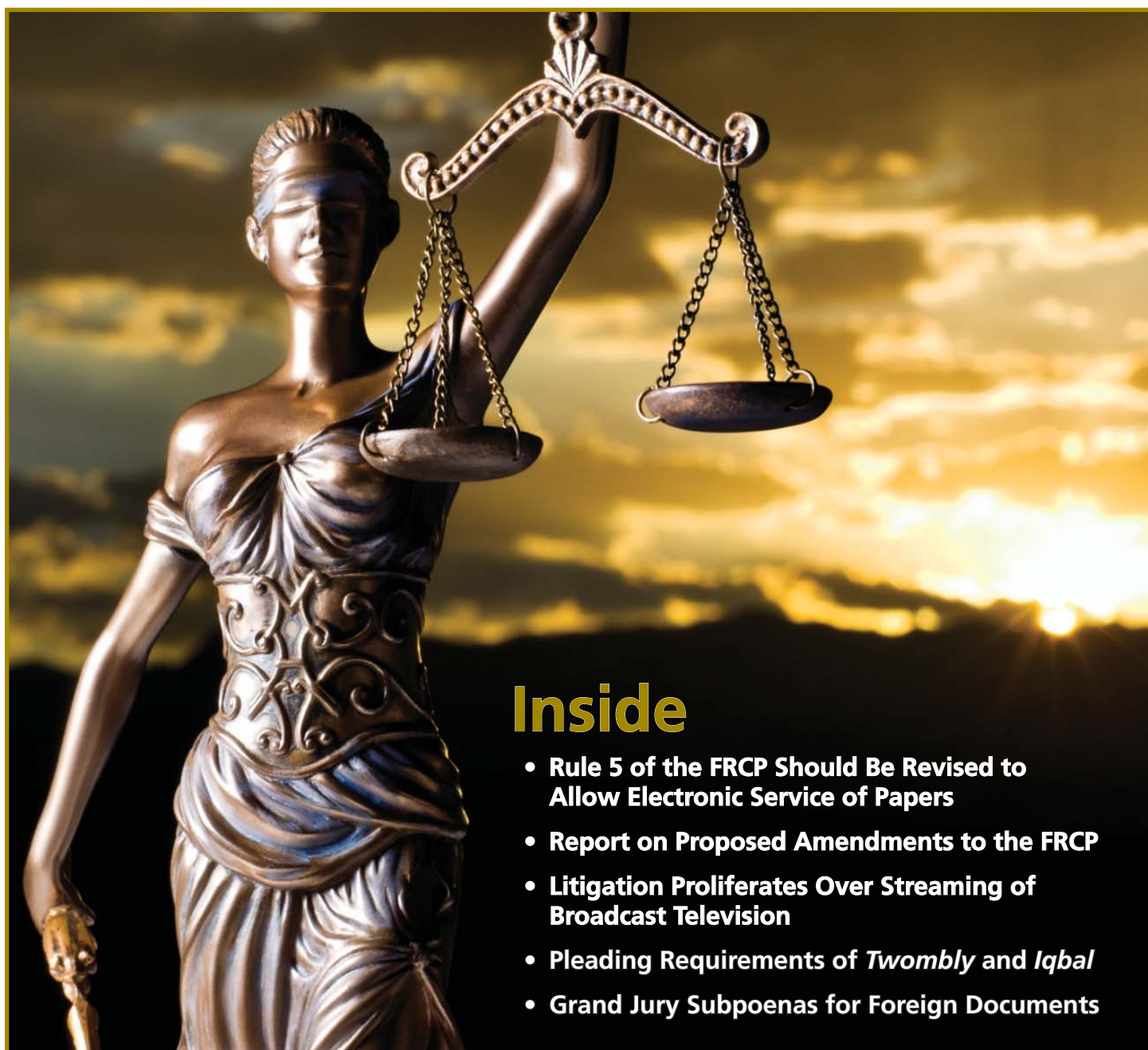


NYLitigator

A Journal of the Commercial & Federal Litigation Section
of the New York State Bar Association



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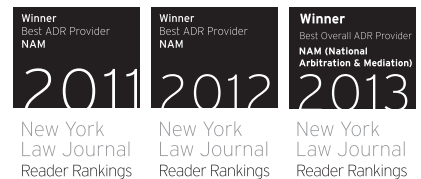
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A Message from the Chair

We have come a long way from the days of trial by combat for civil disputes and trial by ordeal for criminal cases. But that progress in this country is surprisingly threatened by the refusal of the legislature and executive to provide sufficient resources for the judiciary to perform its functions.

Criminal enforcement and dispute resolution are not optional. They are essential to a well-functioning, prosperous society. Americans take pride in living under a constitutional system dedicated to the rule of law. But such a system requires the resources to properly perform its functions.

Judges do not operate in a vacuum. They require a location, support staff, communication capabilities, and access to information. While judges' salaries cannot constitutionally be reduced, all their other requirements can be diminished or not improved as needed. In the last year, the Section's Executive Committee has met with the clerks of the United States District Courts for the Eastern and Southern Districts. Both have described substantial reductions in personnel and impacts on equipment and supplies from the federal government's budget failures. Judicial officers' statements to Congress have emphasized the effects of budget constraints on probation and criminal pretrial services as well as on public defender services.



The judiciary is supposed to be a co-equal branch of our government with the legislature and the executive; it is not merely another government agency. However, when it comes to the allocation of funds, judicial officials are not at the table with members of the executive branch or the legislature when negotiations occur. It is too easy for members of those branches to sacrifice the judiciary's interests when facing difficult pecuniary calculations and decisions.

Not all government is bad or bloated. There are functions that only government can perform to maintain a civil society. Citizens of all persuasions should be able to agree that protecting public safety through fair and open procedures and resolving disputes are such functions. While we lawyers have a vested interest in a fully functioning judiciary, our clients and fellow citizens have an equally important interest in public safety through the criminal justice system and efficient resolution of disputes through the civil justice system. All Americans have an interest in our country setting an example for others to follow.

We must add our voices to what should become a swelling chorus demanding that the legislature and the executive provide the funds required by the judiciary to fairly, efficiently, and effectively perform its constitutionally and statutorily mandated functions. Nothing less will do justice to the vision of the founders of this country and the principles it has embodied for more than two centuries.

Greg Arenson

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Articles should be submitted in electronic document format (pdfs are NOT acceptable), along with biographical information.

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Rule 5 of the Federal Rules of Civil Procedure Should Be Revised to Allow for Electronic Service of Papers Without Prior Consent

I. Introduction

We propose that the provision of Rule 5 of the Federal Rules of Civil Procedure dealing with service of papers by electronic means be changed to reflect the practice of the vast majority of federal practitioners today—service of discovery papers by electronic mail. We propose that the rule be modified in three principal ways: (1) removing the requirement that a serving party obtain written consent to serve by electronic means; (2) specifying that the manner in which the service is to be effectuated is to be in a manner reasonably calculated to lead to effective service, it being understood that conformance with a district court's format guidelines for ECF filing or electronic service is presumptively reasonable; and (3) requiring that notice of service be filed with the district court, thereby providing litigants with an additional layer of notice of service in the event that an electronically served document is not received.

"We propose that the provision of Rule 5 of the Federal Rules of Civil Procedure dealing with service of papers by electronic means be changed to reflect the practice of the vast majority of federal practitioners today—service of discovery papers by electronic mail."

II. Rule 5(b)(2)(E)

Rule 5 provides the methods by which a party may serve papers. Rule 5(b)(2) provides: "A paper is served under this rule by:...(E) sending it by electronic means if the person consented in writing—in which event service is complete upon transmission, but is not effective if the serving party learns that it did not reach the person to be served...."

III. Consent

The present wording of Rule 5 makes prior written consent a prerequisite for electronically serving papers. The requirement of prior written consent prevents electronic service from occupying the same default footing as personal service or service via mail or common carrier. This limitation contrasts with the use of electronic service in motion practice, and it fails to recognize a trend among federal litigators to "serve" discovery documents and other non-pleading papers by e-mail without formally

obtaining written consent. By modifying Rule 5, including the requirement of prior consent, we attempt to bring the wording of the Rule in line with the evolving practice and norms of electronic service.

In making electronic service available to litigants by default, we believe it is appropriate to place the burden on a litigant who cannot reasonably accept electronically served documents to "opt out" of this method of service. This is the inverse of the present practice, which requires litigants to "opt in" before electronic service is permitted.

A similar practice is employed by the district courts in the context of electronic filing. All district courts make ECF filing the default mode of filing pleadings and trial documents. Most (if not all) courts require registration with the ECF system upon admission to that court's bar. An attorney who wishes to opt out of ECF filing must, in many cases, ask permission to do so by application to the court. For example, the Western District of New York, Administrative Procedures Guide 1.c.viii. provides:

Once registered, an attorney may withdraw from participation in the Electronic Filing System only by permission of the Chief Judge of the District for good cause shown. The registered attorney seeking to withdraw must submit a written request to the Chief Judge explaining the reason(s) or justification(s) for withdrawal.... It is the Filing User's responsibility to notify opposing counsel in all pending cases that the Filing User has been granted permission to withdraw from the Electronic Filing System and that all future service of documents must therefore be made by conventional means.

Similarly, a litigant who wishes to opt out of electronic service for *bona fide*, technological reasons should be allowed to do so, if the district court is satisfied that the basis or bases for opting out are reasonable. That said, opting out would strictly be a matter of technological limitation; just as a litigant cannot opt out of personal service or service by mail because of personal preference, litigants should not be able to opt out of electronic service because they dislike e-mail or wish to frustrate their opponent.

IV. Format of Electronic Paper

Another consideration in making electronic delivery a standard method of service is the question of transmission

format. File formats (e.g., pdf, pdf/A), the size of individual electronic documents to be transmitted, and the overall size of e-mail transmission are all factors that may affect a litigant's ability to send or receive electronically served papers. It should go without saying that federal court litigants, and the information technology apparatus they use, do not possess the same level of technological sophistication. Similarly, accepted tactics for limiting spam and malicious electronic transmissions often involve placing size restrictions or other limitations on a user's ability to send and receive e-mail.

Given the speed at which standards are changed and updated, it would not be feasible nor advisable to attempt to formalize such a dynamic set of criteria within the Federal Rules. Rather, it is sensible to utilize each district court's ECF guidelines and requirements as the guidelines for electronic service of discovery papers.

In crafting local rules and guidelines, district courts take into account particular technological or practice characteristics of that district (most especially that of the particular court). For example, if there were a district where high-speed broadband was not widely available, a district court might choose to limit the maximum size of papers filed with the court to account for the slower rate of transmission some attorneys may have to endure. Software prevalence and preference, security concerns, and other factors may also influence local format customs or standards.

Local ECF standards may change fairly often and are district-specific. But, there is no reason why those same format rules cannot be applied to the e-service of other papers. To the contrary, a court's requirement that e-service conform with e-filing format rules will minimize the chance that particular parties or litigants will be unable to receive or view e-served papers. The format of electronic papers should be deemed presumptively reasonable if that format conforms to the local ECF format standard (or other locally promulgated format criteria).

V. Notice of Service

Although adherence to local standards and norms, as set out by the district courts in local rules or guidelines, should maximize the effectiveness of electronic service, there is always a risk that a particular transmission will not be received. (Indeed, this can happen by service via mail as well.) To further guarantee the effectiveness of electronic service, litigants serving in this fashion should be required to lodge a notice of service with the district court. A minority believes it is unnecessary.

Some district courts require that litigants file notices of service for all discovery demands and responses that are served by any means. This gives all registered litigants (and the district court) separate notice of the transmission of papers that are not otherwise filed with the court via the ECF system. For example, Local Rule

5.4(b) of the United States District Court for the District of Delaware provides:

Service Without Filing. Consistent with Fed. R. Civ. P. 5(a), in cases where all parties are represented by counsel, all requests for discovery under Fed. R. Civ. P. 26, 30, 31, 33 through 36 and 45, and answers and responses thereto, and all required disclosures under Fed. R. Civ. P. 26(a), shall be served upon other counsel or parties but shall not be filed with the Court. In lieu thereof, the party requesting discovery and the party serving responses thereto shall file with the Court a "Notice of Service" containing a certification that a particular form of discovery or response was served on other counsel or opposing parties, and the date and manner of service.

The requirement that a notice of service be filed should virtually eliminate the risk that a party will be prejudiced by ineffective electronic service. While attorneys and others are responsible for providing an e-mail address that works, transmissions may fail, among other reasons, due to misspelled e-mail addresses or from the use of spam filters. Therefore, there should be a cross-check provided by a simple notice of filing. In the event that a litigant does not receive electronically served papers, but receives notice of service lodged with the district court, this will flag the issue of failed or incomplete electronic service at an early stage. Lodging such notices in the local ECF system will impose a *de minimis* additional burden on a district court and its ECF system, owing to the brevity of such notice. This requirement would also not be an imposition on the serving litigant.

VI. Proposed Modification of Rule 5(b)(2)(E)

With these considerations in mind, we propose that the following changes be made to Rule 5(b) with an appropriate Advisory Committee note:

(2) Service in General. A paper is served under this rule by:

* * *

(E) sending it by electronic means in a manner reasonably calculated to achieve effective service and if the serving party contemporaneously files a certification with the court that identifies the particular paper served and the date and manner of such service if the person consented in writing—in which event service is complete upon transmission, ~~but is not effective if the serving party learns that it did not reach the person to be served;~~

Comment

The modifications made to Rule 5(b)(2)(E) are intended to formalize what has become the general practice of most federal practitioners, namely service of discovery papers via electronic mail or another established file transfer system or protocol without the need of prior consent.

Service of papers via electronic means in a format that conforms to a district court's ECF standards will be presumed to have been served in a manner reasonably calculated to achieve effective service. A manner that is "reasonably calculated to achieve effective service" is, by design, a fluid standard that is intended to cover both present practices and future practices that may not be reasonably foreseeable at present.¹ It is assumed that formatting papers to comply with the district court's particular ECF guidelines, which have been crafted in light of the information technology characteristics and norms of that district, will maximize the technical likelihood that service will be completed successfully. The district court will retain the ability under the proposed changes to Rule 5 to promulgate local rules or guidelines regarding format that would further enhance the effectiveness of service given the particulars of that district.

This standard also places the responsibility on the serving party to choose and execute a method of delivery that fairly and adequately delivers papers to the adversary. For example, service via traditional mail is successful when someone places a properly addressed, properly stamped copy of papers in a designated U.S. Mail repository. Of course, a party cannot assure that such papers will be properly retrieved and delivered by the post office, but service by mail makes it substantially likely that the opposing party will receive those papers. By making the presumptive standard for electronic service conform to district court standards for electronic filing, one is guided by the same philosophy that underlies other rules of service, that a party who takes care in selecting a fair and effective format and method of service will be deemed to have discharged its service obligations.²

As with all methods of service, it is expected that the parties will honor the spirit of Rule 5 and work cooperatively in the event that electronic service attempted reasonably and in good faith is nonetheless unsuccessful. For example, in the event that a serving party learns, despite having complied with the requirements of subparagraph (E), that such service was actually ineffective, it is expected that the serving party will not take the indefensible position that the receiving party is obligated to act on the paper within the same time period as if service had been effective. Similarly, if the serving party complies with the requirements of subparagraph (E), but electronic service is actually ineffective, it is expected that the receiving party will not unreasonably object to

the re-serving of the paper in question and will consent to reasonable scheduling modifications as needed to allow the serving party to comply with any applicable deadlines or notice periods.

The requirement that a serving party also file a certification with the district court identifying the paper served and the manner of service provides assurance that, in the event that actual service is not successful, a receiving party will have timely notice of the failure and may address that failure with the serving party. It is expected that the certification will be a simple short document and would not be a burden on either the serving party (who must create the document) or the district court (whose ECF system would house it).

"As with all methods of service, it is expected that the parties will honor the spirit of Rule 5 and work cooperatively in the event that electronic service attempted reasonably and in good faith is nonetheless unsuccessful."

VIII. Conclusion

The Section has concluded that it is appropriate to modify Rule 5 to place electronic service on an even footing with more traditional methods of service. We further conclude that requiring that electronic service methods that comply with district-specific guidelines (ECF standards or those implemented by local rule or administrative provision) will enhance the likelihood that electronically served papers will reach their intended destination. An additional notice-of-filing requirement will assure that recipients of electronically served papers will be made aware of such service and, if something is amiss, be able to timely address the situation where electronically served papers were not received.

Endnotes

1. At present, the standard method of electronic service is via e-mail. The proposed changes to Rule 5 are designed to be applicable to both this method of service or future methods that may become standardized but are presently not envisioned.
2. It is understood that technology advances far more quickly than courts' rules and regulations can. Thus, it is likely to be the case that more convenient forms of electronic transmission have and will be developed than those approved for ECF. Nothing in this proposed rule change should be interpreted to suggest that those methods should not be utilized by parties. To the contrary, just as parties presently serve documents by mail and send courtesy copies by e-mail, we hope parties in the future will serve discovery documents by approved electronic methods and send courtesy copies by other electronic methods available to them if such would improve convenience and ease of use between the parties.

December 12, 2012

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New York State Bar Association Commercial & Federal Litigation Section Report on Proposed Amendments to Federal Rules of Civil Procedure 1, 4, 16, 26, 30, 31, 33, 34, 36, 37, 84, and Appendix of Forms

I. Introduction

The Judicial Conference Committee on Rules of Practice and Procedure has requested comments on proposed amendments to Rules 1, 4, 16, 26, 30, 31, 33, 34, 36, 37, 84, and Appendix of Forms of the Federal Rules of Civil Procedure. The proposed amendments and related discussion are set forth in the Memorandum of the Advisory Committee on Civil Rules ("Advisory Committee"), dated May 8, 2013, as supplemented June 2013 ("Advisory Committee Memo").¹ Although the proposed amendments are intended as a "package" designed "to reduce cost and delay[.]" they "are not interdependent in the sense that all[, or even most,] must be adopted to achieve meaningful gains."² Rather, the Advisory Committee encourages that each proposed amendment "be scrutinized and stand, be modified, or fall on its own."³

This report sets forth the comments by the Commercial and Federal Litigation Section of the New York State Bar Association (the "Section") to the proposed amendments.⁴

II. Summary

The Section supports many of the proposed amendments, but there are other amendments that it cannot support because, after careful study, it has concluded they are not warranted or will not achieve their proposed objective. As discussed below, the Section supports the proposed amendments to Rules 4, 16, 26, 34, 37, 84, and Rule 84 Official Forms (and a related amendment to Rule 4 regarding Official Forms 5 and 6), although the Section has made suggestions with respect to certain of those proposed amendments.

The Section does not support the proposed amendments to Rules 1, 30, 31, 33, and 36. Although the Section agrees that cooperation among parties should be the norm, if Rule 1 is to be amended to encourage cooperation, it should be done explicitly and not indirectly through a comment in the Advisory Committee Note to the amended Rule. While including the concept of proportionality in the scope of discovery will be salutary in all cases, reducing or imposing presumptive limits on depositions (Rules 30, 31), and interrogatories (Rule 33), and imposing presumptive limits on requests to admit (Rule 36) would not solve any problem that exists in the majority of cases and should not apply to the complex cases where discovery will usually exceed those limits.

Instead, courts may rely on the proportionality factors of proposed Rule 26(b)(1) during a Rule 16 conference to impose suitable discovery limitations on a case-by-case basis.

Although the Section generally supports the proposed amendments to Rule 37, certain standards articulated in the proposed rule require clarification. With respect to the imposition of sanctions under proposed Rule 37(e)(1), the Rule should impose a rebuttable presumption of substantial prejudice against a party who acts willfully or in bad faith to spoliage material. "Willfulness" should be defined as intentional or reckless conduct sufficiently unreasonable so as to render harm likely. "Actions," for purposes of Rule 37(e)(1), should be defined to include omissions; this is a particularly important change in light of the role automation plays in the electronic storage of information. Also, the prefatory language in proposed Rule 37(e)(2) should explicitly direct courts to impose the "least curative measure or sanction" necessary to repair prejudice arising from lost information.

III. Prior Efforts

A conference at Duke Law School in May 2010 (the "Duke Conference") was the impetus for the proposed rule changes (except those relating to Rule 84 and the Appendix of Forms).⁵ Among other things, participants at the Duke Conference "urged the need for increased cooperation; proportionality in using procedural tools, most particularly discovery; and early, active judicial case management."⁶ The consensus was that early involvement by judges would enable "early definition of the issues that are important to the resolution of the litigation, whether that resolution is by motion, settlement, or trial."⁷ Early judicial involvement would also assure "that proceedings are conducted in such a way that their costs are proportionate to the stakes of the litigation."⁸

Many of the ideas presented at the Duke Conference were not new. For example, a six-hour limitation on depositions was first proposed and considered in 1991.⁹ The six-hour limit on depositions was not adopted.¹⁰ The criticisms against it were varied, and included the fear that a timekeeper would be needed to measure colloquy, a concern over problems that would arise from dividing time between counsel, an expectation that the reduction in time would increase motion practice, and a suspicion that it would encourage expert witnesses to stonewall.¹¹ In 2000, the current presumptive durational limit of seven hours was added in an effort to avoid overly long depositions.¹²

Similarly, amending Rule 26 to narrow the scope of discovery was first advanced by a special committee of the American Bar Association in 1977.¹³ This effort was later abandoned for lack of support; the criticisms launched against the proposal caused more modest proposals to be considered, but those modest proposals were viewed as too inconsequential to be effective.¹⁴ The Section renewed the suggestion to amend Rule 26 in 1989, but the Advisory Committee was not receptive.¹⁵

The rationale for the proposed amendments regarding discovery—limiting discovery abuse and attendant costs—is a concern that has been articulated since the adoption of the Federal Rules of Civil Procedure in 1938:

- In commenting on the Advisory Committee's 1936 preliminary draft of the federal rules, Judge Edward Finch (New York Court of Appeals) warned that the discovery provisions would "increase so-called speculative litigation or litigation based on suspicion rather than facts, with the hope that such fishing may reveal a good cause of action as alleged or otherwise...."¹⁶ Parties asserting claims would be given so many tools for discovery, Judge Finch warned, "that it will be cheaper and more to the self interest of the defendant to settle for less than the cost to resist."¹⁷
- "Large expense in depositions can be a double-barreled evil: it is *per se* repugnant to the principle of just, speedy and *inexpensive* determination of cases; and it operates to permit counsel to exert pressure for settlement under the threat of taking depositions which the adverse party can ill afford."¹⁸ Among the measures proposed by the author to curb the abuses was (i) "the inclusion of expense as a basis for protective orders" and (ii) "an amendment to Rule 30 requiring leave of court for depositions lasting more than 5 days, and permitting the court at its discretion to limit the scope and/or length of the deposition, or to appoint a master to supervise the deposition."¹⁹
- "Lawyers critical of discovery said that they were constantly going through their files to prepare for discovery proceedings and that the resulting expense in many small cases was out of proportion to the value."²⁰
- Commenting that "free and full disclosure of relevant, non-privileged information and evidence... meets with resistance in practice," a Columbia Law School professor made this observation:

Difficulty creeps in because however dedicated the lawyers may be to the principle of full disclosure, their clients must also be considered. Laymen do not view with unbounded enthusiasm the prospect of expending their time

and money in pretrial procedures that are expressly designed to produce information or evidence to help their adversary's case. And the longer and costlier the proceedings, the more irked the client becomes. Sometimes sooner, sometimes later, the client's attitude is translated into his lawyer's actions, and he resists his adversary's discovery demands. Even without prodding from clients, many lawyers, prone to cooperate as a matter of principle, become resentful and balk at what they deem excessive intrusion upon their client's time, money, privacy or patience.²¹

IV. Analysis of the Proposed Amendments

A. Rule 1

Proposed Rule 1 reads as follows:

These rules...should be construed, ~~and~~ administered, and employed by the court and the parties to secure the just, speedy, and inexpensive determination of every action and proceeding.²²

The three goals of the Federal Rules of Civil Procedure stated in Rule 1—"the just, speedy, and inexpensive determination of every action and proceeding"—have been described by the Supreme Court as "the touchstones of federal procedure."²³ As originally envisioned by the Advisory Committee, the proposed amendment to Rule 1 would have added "cooperation" as a fourth goal. "Participants at the Duke Conference regularly pointed to the costs imposed by hyperadversary behavior and wished for some rule that would enhance cooperation."²⁴

However, imposition of an explicit "direct and general duty of cooperation" was abandoned.²⁵ The Advisory Committee found that, because "[c]ooperation is an open-ended concept[, i]t is difficult to identify a proper balance of cooperation with legitimate, even essential, adversary behavior. A general duty might easily generate excessive collateral litigation, similar to the experience with an abandoned and unlimited version of Rule 11."²⁶ Such collateral litigation would involve determining whether counsel "adequately" cooperated, or whether counsel was simply a zealous advocate. In this way, if a duty of cooperation were imposed, "there may be some risk that a general duty of cooperation could conflict with professional responsibilities of effective representation."²⁷

Instead, the proposed amendment to Rule 1 is termed a "modest addition," which the Advisory Committee suggested would ensure that the "parties are made to share responsibility for achieving the high aspirations expressed in Rule 1...."²⁸ It is the Advisory Committee's intention that Rule 1, as amended, "will encourage cooperation by lawyers and parties directly, and will

provide useful support for judicial efforts to elicit better cooperation when the lawyers and parties fall short.”²⁹ The Committee conceded that it “cannot be expected to cure all adversary excesses,” but the amendment “will do some good.”³⁰

The Advisory Committee also added a Note, which specifically confirms that “[e]ffective advocacy is consistent with—and indeed depends upon—cooperative and proportional use of procedure.”³¹ The Advisory Committee Note seems appropriate and is consistent with the other proposed amendments.

But the form of the amendment as proposed by the Advisory Committee renders it arguably unnecessary. The last amendment to Rule 1 (other than stylistic changes) was in 1993, when the words “and administered” were added to the second sentence. According to the Advisory Committee Notes that accompanied that change, the amendment was intended:

to recognize the *affirmative duty of the court* to exercise the authority conferred by these rules to ensure that civil litigation is resolved not only fairly, but also without undue cost or delay. As officers of the court, *attorneys share this responsibility with the judge* to whom the case is assigned.³²

Thus, since at least 1993, it should have been understood that both the courts and the parties have the responsibility of securing the just, speedy and inexpensive determination of every action.³³ As a result, it does not appear that the proposed “modest addition” to Rule 1 is needed or will effect any change.

If the purpose of the proposed change is to achieve greater cooperation by counsel and the parties, then the proposal does not go far enough. To effectively impose a duty of cooperation, the duty needs to be stated explicitly in the rule. It is not sufficient to simply state in the Advisory Committee Memo that it is the Advisory Committee’s hope that, as amended, “Rule 1 will encourage cooperation by lawyers and parties directly, and will provide useful support for judicial efforts to elicit better cooperation....”³⁴ It is also not enough to say in the proposed Advisory Committee Note that “Rule 1 is amended to emphasize that...the parties share the responsibility to employ the rules [to secure the just, speedy and inexpensive determination of every action].”³⁵

The Advisory Committee’s desire to require cooperation among counsel is laudable and the Section strongly supports the goal. Indeed, it complements the mandate of the Southern and Eastern Districts of New York that counsel cooperate, at least as to discovery. Moreover, the Sedona Conference Cooperation Proclamation, www.thesedonaconference.org, first issued in 2008, has been

endorsed (as of 2012) by scores of federal and state court judges. Many judicial opinions have expressly referenced the Proclamation.³⁶ In addition, encouraging (rather than requiring) cooperation would likely avoid ancillary motion practice regarding satisfaction of the standard. Nonetheless, the proposed “modest addition” does not seem any more likely to achieve its goal of encouraging cooperation than the previous modest addition in 1993, even with the proposed reference in the Advisory Committee Note. To enshrine cooperation as a touchstone of federal procedure, it needs to be made explicit in Rule 1. If such were to occur, the litigation that would ensue over compliance might very well be worth it. Here, however, the Section does not support the proposed amendment to Rule 1.

B. Rule 4

Proposed Rule 4(m) reads as follows:

(m) TIME LIMIT FOR SERVICE. If a defendant is not served within ~~120~~ 60 days after the complaint is filed, the court... must dismiss the action without prejudice against that defendant or order that service be made within a specified time. But if the plaintiff shows good cause for the failure, the court must extend the time for service for an appropriate period.³⁷

By reducing the time to serve a summons and complaint from 120 days to 60 days, the proposed amendment would “get the action moving in half the time.”³⁸ As the Advisory Committee noted, “[t]ime is money” and the change would address the “commonly expressed view that four months to serve the summons and complaint is too long.”³⁹ As the Advisory Committee has further pointed out, “delay is itself undesirable.”⁴⁰ Along with the amendments to Rule 16 governing scheduling orders, this amendment is intended to “reduce delay at the beginning of litigation.”⁴¹

The Section supports the proposed change to Rule 4(m) for the reasons given by the Advisory Committee.

The Section, however, suggests that the Advisory Committee Note explicitly state that extensions of time under the “good cause” exception should be “liberally granted for the sake of better overall efficiency,”⁴² and that the proposed amendment is not intended to effect any change in the discretion courts currently have to grant extensions even in the absence of “good cause.”⁴³ The Section further suggests that the Advisory Committee Note include, as an example of when “good cause” may be found, multi-party actions in which it may be difficult to identify, locate and serve all defendants in two months (possibly excepting cases where fewer than all defendants must be served via the Hague Convention).

C. Rule 16

Proposed Rule 16(b) reads as follows:

(b) SCHEDULING.

(1) *Scheduling Order*. Except in categories of actions exempted by local rule, the district judge—or a magistrate judge when authorized by local rule—must issue a scheduling order:

(A) after receiving the parties' report under Rule 26(f); or

(B) after consulting with the parties' attorneys and any unrepresented parties at a scheduling conference ~~by telephone, mail, or other means~~.

(2) *Time to Issue*. The judge must issue the scheduling order as soon as practicable, ~~but in any event unless the judge finds good cause for delay the judge must issue it~~ within the earlier of ~~120~~ 90 days after any defendant has been served with the complaint or 90 60 days after any defendant has appeared.

(3) *Contents of the Order*. * * *

(B) *Permitted Contents*. The scheduling order may: * * *

(iii) provide for disclosure, ~~or~~ discovery, or preservation of electronically stored information;

(iv) include any agreements the parties reach for asserting claims of privilege or of protection as trial-preparation material after information is produced, including agreements reached under Federal Rule of Evidence 502;

(v) direct that before moving for an order relating to discovery the movant must request a conference with the court;

[present (v) and (vi) would be renumbered].

As discussed below, the Section supports the proposed amendments to Rule 16(b).

1. Proposed Amendment to Rule 16(b)(2)

Rule 16(b) was first amended in 1983 to include changes based on a widely held view that is reiterated in the current proposed amendments:

[W]hen a trial judge intervenes personally at an early stage to assume judicial control over a case and to schedule dates for completion by the parties of the prin-

cipal pretrial steps, the case is disposed of by settlement or trial more efficiently and with less cost and delay than when the parties are left to their own devices.⁴⁴

In keeping with that view, the 1983 amendments to Rule 16(b) made a scheduling order mandatory (albeit subject to certain local exemptions) and included a number of items for which the parties were to set a timetable, including joinder and amendment of the pleadings, motion practice and completion of discovery.⁴⁵

Rule 16(b) was next amended in 1993, when the time for entry of the initial scheduling order was changed from 120 days from the filing of the complaint (which may have coincided with the outside deadline for service of the summons and complaint and thus may have prevented involvement by the defendant) to 90 days after a defendant's appearance or 120 days after service. The change was intended "to alleviate problems in multi-defendant cases" and promote participation by all named parties in the scheduling process.⁴⁶

The proposed change to Rule 16(b)(2) would shorten the time for the court to issue a scheduling order unless the court found "good cause" for delay. The Section agrees that "[t]his change, together with the shortened time for making service under Rule 4(m), will reduce delay at the beginning of litigation[.]" and this is a worthy objective.⁴⁷

There is concern the "good cause" exception will be routinely applied in cases involving parties with complex infrastructures and complex discovery issues. In such cases, shortening the time for issuing a scheduling order will mean that the parties and the court will be unable to meaningfully address these complex issues at the court conference, thereby undercutting the very purpose of the proposed amendment.

Nevertheless, the Section supports the proposed amendment provided the "good cause for delay" language is adopted, since there are undoubtedly cases in which a delay in issuing the scheduling order is warranted, as the Advisory Committee has recognized.⁴⁸ The "good cause for delay" exception provides the court with necessary flexibility if more time is needed. The "good cause for delay" exception appropriately addresses "cases in which it is not feasible to prepare for a meaningful scheduling conference on an accelerated schedule," including, for example, because the case is "inherently too complex to allow even a preliminary working grasp of likely litigation needs in the presumptive times allowed."⁴⁹ It also appropriately addresses concerns expressed by the United States Department of Justice ("DOJ"), as to the time DOJ often needs to respond in litigation against the government.⁵⁰ To the extent shortening the time period might cause any problems in multi-defendant cases where one or more of the parties are not served until close to the end of the 60-day period, the Section

believes that the “good cause” exception should alleviate any problems. The Section suggests that the Advisory Committee Note include as an example of when “good cause” may be found to exist, multi-defendant actions where one or more of the defendants were not served until close to the 60-day deadline and would be prejudiced if an extension were not granted.

2. Proposed Amendment to Rule 16(b)(1)(B)

The proposed deletion from Rule 16(b)(1)(B) of “by telephone, mail, or other means” is intended to implement the Advisory Committee’s conclusion that “an actual conference by direct communication among the parties and the court is very valuable.”⁵¹ The proposed Advisory Committee Note would state: “A scheduling conference is more effective if the court and parties engage in direct simultaneous communications. The conference may be held in person, by telephone, or by more sophisticated electronic means.”⁵²

The Section agrees that a scheduling conference is more effective if the court and the parties engage in direct simultaneous communication. In the Advisory Committee Memo, at 261, the Advisory Committee noted that the proposed amendments address a “perception that the early stages of litigation often take far too long.”⁵³ Inefficient and ineffective communication among parties is often the hallmark of unnecessarily delayed or unreasonably expensive proceedings.⁵⁴

E-discovery-specific disagreements, which can quickly spin out of control and impede the just, speedy, and inexpensive resolution of a matter, should benefit significantly from this amendment requiring direct communication. Issues related to information governance, network infrastructure, preservation efforts, data collection methodology, processing specifications, the nuances of metadata, production format, the use of advanced technology, and more may present counsel with unfamiliar challenges. Such challenges often manifest themselves in more pugilistic behavior as attorneys may be more willing to fight or use delaying tactics than address a novel issue. This amendment will eliminate any tactical advantage or unnecessary delay associated with leveraging the “mail, or other means” as a way to discuss complex discovery issues.

We believe that the scheduling conference is most effective if in person, but we recognize that there may be good reasons, such as geography or limited stakes in the case, that mitigate against the need for an in-person meeting. Therefore, the Section supports the proposed amendment to Rule 16(b)(1)(B).

The Advisory Committee rejected a proposal that would require an actual scheduling conference in all actions, except those in exempted categories, because there “are cases in which the judge is confident that a Rule 26(f) report prepared by able lawyers provides a sound

basis for a scheduling order without further ado.”⁵⁵ The Section agrees.

3. Proposed Amendments to Rule 16(b)(3)

The Section supports the three proposed amendments to Rule 16(b)(3). By explicitly referring to the preservation of electronically stored information and agreements reached under Rule 502 of the Federal Rules of Evidence (“Rule 502”), the proposed amendments focus litigants at an early stage on these useful subjects for discussion and possible agreement.⁵⁶ The Section supports the proposed amendment that a court may require a pre-motion conference for discovery motions, but also endorses leaving that decision to the discretion of the court.

The 2006 amendments to Rule 16(b) included among the permitted contents of the scheduling order “disclosure or discovery of electronically stored information.”⁵⁷ The proposed amendment would now specifically permit inclusion of the “preservation” of electronically stored information. This proposed amendment, along with the proposed amendment to Rule 26(f)(3)(c), would close the loop in that parties would clearly be on notice to address preservation issues early and the court would be available to address those efforts. By amending Rule 16(b) to explicitly state that a scheduling order may provide for the preservation of electronically stored information, the court may modify current preservation practices and set the rules for any post-order preservation activity. Addressing preservation through an order will provide more certainty as to the duties of parties regarding the preservation of information.

In combination with the proposed amendments to Rule 26(f)(3)(c), this rule provides a strong incentive for parties to cooperate and either agree on preservation issues or clearly identify the positions on which they disagree. Any failure to identify and articulate preservation issues in a scheduling order could result in a disadvantageous position later. The Section believes that the proposed amendment will provide a means to address preservation issues more efficiently.

The 2006 amendments to Rule 16(b) included among the permitted topics “any agreements the parties reach for asserting claims of privilege or of protection as trial-preparation material after information is produced.”⁵⁸ The proposed amendment adds a specific non-limiting reference to agreements under Rule 502. This reference is likely to focus the parties’ attention on the importance of such agreements concerning the production and return of attorney-client privileged material and attorney work product. With the increase in the volume of data subject to preservation, collection and review, the advent of technology-assisted review, and the increasingly tight time frames within which documents and ESI must be processed, reviewed and produced, the Section supports efforts to increase the use of orders under Rule

502(d). Given the Advisory Committee's statement that the "Evidence Rules Committee is concerned that Rule 502 remains underused,"⁵⁹ we believe that litigants may benefit from more discussion of the importance of Rule 502(d) agreements and orders in the Commentary to the Proposed Amendment.

The proposed amendment adds that the scheduling order may include a provision that, before making a discovery motion, the movant must request a conference with the court.⁶⁰ This is often an efficient way to resolve discovery disputes without the delay, burdens, and expense of a formal motion.⁶¹ The local rules of many courts and the individual practices of many judges require either such a conference or a short letter to the court regarding the discovery motion the party wishes to make. Anecdotal experience of Section members and reports from judges suggest that such a requirement reduces the number and burden of discovery motions, though some question the value of pre-motion conferences for complex matters, where a terse presentation could predispose the court to a decision before an adequate presentation is made in motion papers. On balance, the Section agrees that it is premature to make such a pre-motion conference mandatory in all courts and circumstances.⁶²

D. Rule 26

The Advisory Committee has proposed a number of amendments to Rule 26: (i) amending Rule 26(f) to correspond with the proposed amendments to Rule 16(b)(3) to require that a discovery plan state the parties' views on any issue about preservation of electronically stored information and as to whether they should ask the court to include in the scheduling order the parties' agreement, if any, under Rule 502; (ii) adding a new Rule 26(d)(2) to permit early Rule 34 requests; (iii) limiting the scope of discovery under Rule 26(b)(1) to matters relevant to claims and defenses and explicitly incorporating the proportionality requirement of Rule 26(b)(2)(C)(iii); and (iv) amending Rule 26(c)(1)(B) to expressly authorize the court, for good cause, to protect a party from undue burden or expense by allocating discovery expenses.⁶³

1. Rule 26(f)

Because it is appropriate to include in the scheduling order under Rule 16(b) preservation of electronically stored information and any agreement on inadvertently disclosed privileged information under Rule 502, it follows that Rule 26(f) should be amended to include these items as topics of the parties' discussions at their Rule 26(f) conference. The Section supports the change.

a. Incorporating Preservation Issues into the Discovery Plan

By adding "preservation" to the list of issues that parties must incorporate into a discovery plan, the proposed amendment attempts to avoid foreseeable downstream spoliation claims.

The preliminary conference, or "meet and confer," mandated by Rule 26(f) provides parties a forum in which they can discuss their respective preservation obligations, including: (1) the scope of preservation, considering the limitations imposed by Rule 26(b)(2)(C); (2) the applicable time frames for preservation; (3) the sources of information over which the parties have possession, custody or control and whether any third parties may be the custodians of relevant information; (4) the classification of any sources of electronically stored information as not reasonably accessible because of undue burden or costs under Rule 26(b)(2)(B); and (5) the conditions under which the duty to preserve may be terminated.

Because the duty to preserve is triggered when a party reasonably anticipates litigation, it is almost impossible, if not impractical, for a party not to have begun making critical decisions regarding preservation before conferring with its opposing party. The meet-and-confer process provides parties with an opportunity to quickly address these preliminary actions and adjust their procedure as necessary. The goal is for the parties to cooperate and ultimately reach a consensus on various preservation issues before seeking guidance or intervention from the court. However, the fact-specific nature of when the duty to preserve is triggered and methods and standards for preservation make it a fertile ground for disputes. Requiring the parties to include "any issues" about preservation in a discovery plan helps put the court on early notice of such disputes.

The proposed Rule not only requires that such issues be highlighted, but that parties also state their "views and proposals" on preservation issues.⁶⁴ The discovery plan should discuss issues on which the parties agree and disagree and, as to any disagreement, the plan should include a brief summary, devoid of argument, a brief statement articulating the position of each party, and a proposed solution designed to foster agreement.⁶⁵ With the required joint discovery plan, the court is better positioned to usher the parties toward a middle ground prior to incorporating any agreement into a scheduling order.

b. Rule 502(d) Orders

The Section endorses the text of the proposed amendment and believes it will help focus parties on the need for a Rule 502(d) order. We suggest that the amendment reference Rule 502(d) specifically, to emphasize that the parties should specifically ask the court for such an order—as failure to do so will leave them only with the protections of Rule 502(b) and the case law that has developed concerning inadvertence, rather than the more fulsome protections of a Rule 502(d) order.

2. Rule 26(d)(2)

The Advisory Committee has proposed adding a new subparagraph (2) to Rule 26(d) to permit the early service of Rule 34 requests:

(d) TIMING AND SEQUENCE OF DISCOVERY.

* * *

(2) *Early Rule 34 Requests.*

(A) *Time to Deliver.* More than 21 days after the summons and complaint are served on a party, a request under Rule 34 may be delivered:

- (i) to that party by any other party, and
- (ii) by that party to any plaintiff or to any other party that has been served.

(B) *When Considered Served.* The request is considered as served at the first Rule 26(f) conference.⁶⁶

Rule 26(d)(1), which currently prohibits a party from seeking discovery from any source before the parties have held their Rule 26(f) conference, would also be amended to specifically exclude from its scope early Rule 34 requests under Rule 26(d)(2). The Advisory Committee has also proposed amending Rule 34(b)(2)(A) to provide that the time to respond to an early Rule 34 request under proposed Rule 26(d)(2) would be 30 days after the parties' first Rule 26(f) conference, unless a shorter or longer time were stipulated by the parties or ordered by the court.⁶⁷

The Section supports the proposed amendments permitting early Rule 34 requests and extending the time to respond to 30 days after the first Rule 26(f) conference. The Section agrees that the proposed procedure could "facilitate the [parties' Rule 26(f)] conference by allowing consideration of actual requests, providing a focus for specific discussion."⁶⁸ "Concrete disputes as to the scope of discovery could then be brought to the attention of the court at the Rule 16 conference."⁶⁹ And "[l]ittle harm will be done if parties fail to take advantage of the opportunity."⁷⁰

The Section also does not believe that initial requests made before the Rule 26(f) conference are likely to be any broader than requests served after the conference, although that is a possibility. However, in the event requests are served which are too broad, they may then be appropriately narrowed at the parties' Rule 26(f) conference, or, if necessary, by the court.

3. Rule 26(b)(1)

Rule 26(b)(1), which sets forth the scope of discovery, would be amended as follows:

(b) DISCOVERY SCOPE AND LIMITS.

(1) *Scope in General.* Unless otherwise limited by court order, the scope of discovery is as follows: Parties may

obtain discovery regarding any non-privileged matter that is relevant to any party's claim or defense and proportional to the needs of the case considering the amount in controversy, the importance of the issues at stake in the action, the parties' resources, the importance of the discovery in resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefit. Information within this scope of discovery need not be admissible in evidence to be discoverable ~~including the existence, description, nature, custody, condition, and location of any documents or other tangible things and the identity and location of persons who know of any discoverable matter.~~ For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence. All discovery is subject to the limitations imposed by Rule 26(b)(2)(C).⁷¹

(a) Prior Changes Limiting the Scope of Discovery

The proposed changes to Rule 26(b)(1) are not the first attempt to narrow the scope of discovery. As one observer has noted, "there are only so many different ideas available for dealing with discovery problems" and, of these, "the persistence champion is the idea of narrowing the described scope of discovery."⁷²

As originally adopted, Rule 26(b)(1) was intentionally broad and permitted discovery "regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action," whether it related to the claim or defense of the party seeking discovery or to the claim or defense of any other party.⁷³

In 1977, spurred by perceived abusive discovery, the American Bar Association's Litigation Section Special Committee for the Study of Discovery Abuse ("ABA Special Committee") recommended that the scope of discovery in Rule 26(b)(1) be limited to "any matter...which is relevant to the issues raised by the claims or defenses of the party."⁷⁴

In 1978, the Advisory Committee suggested changing the scope of discovery to "any matter . . . which is relevant to the claim or defense of the party."⁷⁵ Ultimately, however, in response to general opposition to any change, the Advisory Committee withdrew its proposal to narrow the scope of discovery.⁷⁶

Within a year of the 1980 amendments, the ABA Special Committee issued a Second Report, noting "our

committee's judgment that the 1980 amendments to the discovery rules, while making important improvements, were an insufficient response to a serious problem."⁷⁷ It again advocated the removal of the "subject matter" language from Rule 26(b).⁷⁸

In 1983, Rule 26(b) was amended by adding one sentence which granted courts the authority to limit discovery when it was redundant or duplicative. This amendment heralded the advent of the concept of proportionality in the American legal system. The Advisory Committee commented that the objective of the 1983 amendment was to "guard against redundant or disproportionate discovery by giving the court authority to reduce the amount of discovery that may be directed to matters that are otherwise proper subjects of inquiry."⁷⁹

In 1989, this Section suggested narrowing the scope of discovery.⁸⁰ We commented that the "central defect" of Rule 26(b) "is that it permits discovery of any unprivileged matter which is 'relevant to the subject matter' involved in the pending action, regardless of whether it relates in any meaningful way to the 'claim or defense' therein" and that, "[g]iven discovery's scope and duration 'district judges cannot keep [discovery] practice within reasonable bounds.'"⁸¹ Based upon, among others, a survey showing "current dissatisfaction among practitioners with [the] discovery process and the definition of 'relevance' in Rule 26(b)(1)," the Section recommended that the scope of discovery be limited to "issues raised by the claim or defense of the party...."⁸² However, the Advisory Committee decided not to proceed on the Section's proposal because, among other things, it was "not clear that there [was] a real difference between 'claims and defenses' and 'subject matter.'"⁸³ Other participants at the time thought that the "'claims and defenses' approach implies fact pleading."⁸⁴

In 2000, those advocating for narrowing discovery finally achieved a change. The 2000 amendments to Rule 26(b)(1) provided that, to be discoverable, matter had to be relevant to "any party's claim or defense[.]" rather than just having to be relevant to the subject matter of the action. In making this change, the Advisory Committee intended to eliminate any pretense that discovery under the Federal Rules permitted "fishing expeditions."⁸⁵ However, the 2000 amendment did not entirely eliminate discovery on the subject matter of the action because the Rule provided that, "[f]or good cause, the court may order discovery of any matter *relevant to the subject matter* involved in the action."⁸⁶ In this Section's October 22, 1998 Report on Proposed Changes to the Civil Discovery Rules, we opposed the two-tier scope of discovery and again recommended that the scope of discovery be limited to claims and defenses.

Since 2000, there has been a "two-tiered" discovery process: the first tier being *attorney-managed discovery* of information relevant to any claim or defense of a party

(sometimes referred to as "core discovery"), and the second tier being *court-managed discovery* that can include information relevant to the subject matter of the action (or perhaps just reasonably calculated to lead to the discovery of admissible evidence).⁸⁷

(b) Proposed Proportionality Limitation

The proposed amendment seeks to limit the scope of discovery by ensuring that discovery is "proportional" to the needs of the case, in light of the "the amount in controversy, the importance of the issues at stake in the action, the parties' resources, the importance of discovery in resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefits."⁸⁸ These considerations derive from current Rule 26(b)(2)(C)(iii), which authorizes a court to issue a protective order under certain circumstances.⁸⁹ The language of Rule 26(b)(2)(C)(iii) will also be changed to require a protective order when proposed discovery is outside the scope permitted by Rule 26(b)(1).⁹⁰

Rule 26(b)(2)(C)(iii) is the successor to language added to Rule 26(b)(1) in 1983 to promote judicial limitation of the amount of discovery "to avoid abuse or overuse of discovery through the concept of proportionality."⁹¹ The language added in 1983 authorized courts to limit discovery if they found that "(iii) the discovery is unduly burdensome and expensive, taking into account the needs of the case, the amount in controversy, limitations on the parties' resources, and the importance of the issues at stake in the litigation."⁹² The provision was moved to Rule 26(b)(2) in 1993.⁹³

Since then, there has been a continued movement toward proportionality in e-discovery as evidenced in the federal case law.⁹⁴ Also, the Sedona Conference has issued papers setting forth principles of proportionality to be applied by courts and practitioners.⁹⁵ Additionally, even more recently, a number of local rules, guidelines and model orders have implemented rules embracing the concept of proportionality, including the Seventh Circuit e-discovery program, the District of Delaware default standards, and the Northern District of California local rules.⁹⁶

The Section supports these changes, although it does so with caution. The Section endorses the Advisory Committee's efforts to ensure that discovery proceeds in an efficient and cost-effective manner commensurate with the needs of the case. The Section believes that the proposed rule change would likely lead, at least initially, to substantial litigation regarding the application of the proportionality requirement. Because parties would be more likely to focus on the proportionality requirement as a limitation on the scope of discovery, there could possibly be more objections based on discovery not satisfying this requirement and attendant discovery motions when compared with the number of motions for protective orders under current Rule 26(b)(2)(C)(iii).⁹⁷

The proposed language adds the term “proportional” to the language taken from Rule 26(b)(2)(C)(iii). The Section assumes that it is the Advisory Committee’s intent that the existing case law applying and interpreting Rule 26(b)(2)(C)(iii) would apply to the language as added to Rule 26(b)(1). Thus, application of the proportionality requirement would not be written on a clean slate, but would be subject to an existing body of case law. To avoid any doubt, the Section proposes that the Advisory Committee Note to amended Rule 26(b)(1) make clear that existing case law interpreting and applying Rule 26(b)(2)(C)(iii) would apply to the “proportional” language being added to Rule 26(b)(1). This should help minimize some of the additional litigation due to the change and further the successful and efficient implementation of the amendment.

The proposed change communicates the Advisory Committee’s intention to give litigants and the courts yet another tool to address excessive discovery requests. The “proportionality” requirement should reduce the time and expense of discovery. More importantly, the new Rule’s most important function may be to signal strongly that the scope of discovery should be narrowed.

As recorded by the Advisory Committee in 1983, the Advisory Committee thought it had solved any problems of disproportionate discovery by adding the protective order provision currently found in Rule 26(b)(2)(C)(iii).⁹⁸ While the Advisory Committee has concluded, based on “repeated empirical studies,” that, “[i]n most cases[,] discovery now, as it was then, is accomplished in reasonable proportion to the realistic needs of the case,” the Advisory Committee has also concluded that “at the same time discovery runs out of proportion in a worrisome number of cases, particularly those that are complex [or] involve high stakes.... The number of cases and the burdens imposed present serious problems. These problems have not yet been solved.”⁹⁹

(c) Proposed Deletions From Rule 26(b)(1)

The Section supports the deletion of the current language in Rule 26(b) authorizing a court to order, upon good cause, discovery of “any matter relevant to the subject matter involved in the action.”¹⁰⁰ The Section agrees with the Advisory Committee that discovery should be limited to matter relevant to the parties’ claims or defenses identified in the pleadings, and that, if discovery of relevant information shows support for new claims or defenses, amendment of the pleadings may be allowed when appropriate.¹⁰¹ The Advisory Committee Note to be published with the amended rule states that “[p]roportional discovery relevant to any party’s claim or defense suffices,”¹⁰² and the Section agrees. There is no justification for the current system of two-tiered discovery—one tier party-controlled, and the other tier court-controlled.

The Section also supports the proposed deletion of the text providing that “[r]elevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence.”¹⁰³ In its place, the proposed rule includes language stating that “[i]nformation within this scope of discovery need not be admissible in evidence to be discoverable.”¹⁰⁴

This language was added in 1946, but the word “relevant” at the beginning of the sentence was not added until 2000. This addition was made due to “concern that the ‘reasonably calculated’ standard ‘might swallow any other limitation on the scope of discovery [and] ... to clarify that information must be relevant to be discoverable.’”¹⁰⁵ The Advisory Committee has concluded that, despite the 2000 amendment, “many cases continue to cite the ‘reasonably calculated’ language as though it defines the scope of discovery, and judges often hear lawyers argue that this sentence sets a broad standard for appropriate discovery.”¹⁰⁶

The encapsulated language in the proposed deletion has been misapplied by courts and litigants to expand the scope of permissible discovery from discovery of information “relevant to any party’s claim or defense” to any discovery as long as “the discovery appears reasonably calculated to lead to the discovery of admissible evidence.”¹⁰⁷ The Advisory Committee Note to the amended rule should clarify that the deleted language was misconstrued and that is the reason for the deletion. The proposed deletion is, therefore, salutary.

The Section also supports the proposed substitution of the language “[i]nformation within this scope of discovery need not be admissible in evidence to be discoverable.”¹⁰⁸ This change adequately preserves the principle that, to be discoverable, information need not be admissible in evidence. And, unlike the proposed deletion, the new language should not result in the expansion of the scope of discovery beyond that set forth in the first sentence of Rule 26(b)(1) (*i.e.*, discovery related to any party’s claim or defense).

The Section also supports, with caution, the proposal to delete the language in current Rule 26(b)(1) that explicitly provides for discovery of matters relating to the “existence, description, nature, custody, condition, and location of any documents or other tangible things, and the identity and location of any persons who know of any discoverable material.”¹⁰⁹ The Section believes, as does the Advisory Committee, that discovery of such matters is deeply and properly entrenched in practice.¹¹⁰ Deleting the language, however, creates the risk that litigants will successfully argue the deletion means such matters are no longer discoverable. That risk can be obviated somewhat by including in the Advisory Committee Note a statement to the effect that discovery of the deleted matters

is properly entrenched in practice and the deletion does not mean such matters are no longer discoverable. The Section recommends such an addition to the Advisory Committee Note.

4. Rule 26(c)(1)(B)

The Section supports the proposed amendment to Rule 26(c)(1)(B) to expressly authorize the court, for good cause, to enter a protective order to protect a party from undue burden or expense by allocating discovery expenses. The proposed amendment would cause Rule 26(c)(1) to read as follows:

(c) PROTECTIVE ORDERS.

(1) In General. * * * The court may, for good cause, issue an order to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following:

* * *

(B) specifying terms, including time and place or the allocation of expenses, for the disclosure or discovery[.]¹¹¹

The Section agrees that “[t]his power is implicit in present Rule 26(c).... The amendment will make the power explicit, avoiding arguments that it is not conferred by the present rule text.”¹¹²

However, the Section believes the Advisory Committee should make clear, either in the proposed new text of Rule 26(c)(1)(B) or in the accompanying Advisory Committee Note, that the proposed change is not intended to alter the American rule on attorneys’ fees and does not authorize the court to allocate attorneys’ fees incurred in connection with disclosure or discovery, *i.e.*, that the term “expenses” does not include attorneys’ fees.

The cases are not uniform on whether courts have authority under the Rules to shift costs associated with the search and review of accessible data.¹¹³

E. Rules 30 and 31

1. Reduction in the Presumptive Number of Depositions

The desire to minimize cost and delay is cited as the impetus for the proposal to amend Rules 30 and 31 to reduce the presumptive number of depositions from ten to five.¹¹⁴ Rule 30(a)(2) would provide:

(2) *With Leave.* A party must obtain leave of court, and the court must grant leave to the extent consistent with Rule 26(b)(1) and (2):

(A) if the parties have not stipulated to the deposition and:

(i) the deposition would result in more than ~~10~~5 depositions being taken under this rule or Rule 31 by the plaintiffs, or by the defendants, or by the third-party defendants[.]¹¹⁵

Rule 31 would contain comparable language.¹¹⁶ Under Rule 26(b)(2)(A), a court may alter the limits on the number of depositions.

The Section does not support the proposed reduction in the presumptive number of depositions because the Section does not believe the Advisory Committee has shown that the reduction is necessary. The Advisory Committee has not shown that the current presumptive limit of ten depositions has resulted in widespread overuse of depositions. The Advisory Committee seems to be relying on comments by “[s]ome judges” at the Duke Conference that they believe there is an overuse of depositions.¹¹⁷ The Advisory Committee cites to the Federal Judicial Center (“FJC”) 2009 survey to support the concerns expressed by those judges.¹¹⁸ The results of the survey are set forth in Emery G. Lee III & Thomas E. Willging, Federal Judicial Center, National, Case-Based Civil Rules Survey, Preliminary Report to the Judicial Conference Advisory Committee on Civil Rules (October 2009) (“FJC Preliminary Report”).¹¹⁹ However, the statistics cited by the Advisory Committee do not show there is an overuse of depositions, and they do not show that, if there is any overuse, it is a widespread problem.

The data used in the FJC Preliminary Report excluded several categories of cases that were not likely to have discovery and also excluded cases in which no depositions were taken.¹²⁰ Even after excluding those cases, more than five depositions were taken in fewer than 25% of the cases studied, and, of those cases, ten or fewer depositions were taken 75% of the time.¹²¹ In only 3% to 5% of the cases were there more than ten depositions per side. The median number of depositions per side was two to three.¹²²

It should also be noted that the median cost of litigation in the FJC Preliminary Report was \$20,000 for defendants and \$15,000 for plaintiffs, with some reporting costs of less than \$1,600. Only at the 95th percentile did reported costs reach \$280,000 for plaintiffs and \$300,000 for defendants. Median discovery costs represented 3.3% of the amount at stake in the litigation. The median estimate of stakes in the litigation for plaintiffs was \$160,000, with estimates ranging from \$15,000 at the 10th percentile to almost \$4,000,000 at the 95th percentile. FJC Preliminary Report at 2. Thus, the cost of discovery in most cases currently appears to be proportional to the stakes in the litigation. These numbers simply do not justify reducing the presumptive number of depositions to five.¹²³

Moreover, the Advisory Committee acknowledged there were “many comments saying that the present limit works well...and that parties do not wantonly take more than five depositions simply because the presumptive

limit is 10 depositions.”¹²⁴ Also, the Advisory Committee conceded that in certain categories of cases, plaintiffs “commonly need more than [five] depositions to establish their case.”¹²⁵

Nevertheless, the Advisory Committee proposes reducing the presumptive limit to five depositions because “the lower limit can be useful in inducing reflection on the need for depositions, in prompting discussions among the parties, and—when those avenues fail—in securing court supervision.”¹²⁶ It is difficult to see how compelling the parties to approach the court to seek relief from the lower presumptive limit will cause them to reflect on the cost of depositions, when the very act of approaching the court will drive up the cost of litigation in cases where the present limits seem to be working well. Even if, in most cases, the number of depositions is established during the meet and confer or the scheduling conference, there would likely be situations in which, long after the scheduling order has been entered, discovery leads a party to conclude that more than five depositions are necessary. Adding the burden of motion practice to any such case increases litigation costs without providing any corresponding benefit or providing a remedy for any alleged discovery abuse—because there is no proof of any such abuse in the majority of cases. Moreover, the Advisory Committee has not shown that lawyers—or their clients—fail to consider the cost of a deposition in determining whether a deposition is necessary. In the real world, Section members report that deposition costs are almost always considered before the deposition is scheduled.

The Advisory Committee discounted the likelihood that reducing the presumptive number of depositions would result in greater motion practice in cases where one side believed it deserved more than five depositions by assuming that “the parties can be expected to agree, and should manage to agree, in most of those cases.”¹²⁷ Yet, the Advisory Committee cites nothing to support its assumption, and it is far from clear that its assumption comports with the real world experience of litigators in cases where one of the parties seeks more than the presumptive number of depositions. In 11% to 18% of the cases studied by the FJC, there have been five to 10 depositions, which presumably would be the ones affected.

The Advisory Committee ignores that depositions often need to be taken because a party cannot assume that witnesses beyond the subpoena power of the court whose testimony is needed will appear at trial. In addition, in cases involving issues relating to the discovery of electronically stored information, one or more depositions are often needed on that subject alone to determine that appropriate searches for discoverable information have been made. That will limit the number of fact depositions to four or less, and that number will be further reduced to the extent expert depositions are needed.

The Advisory Committee rejects out of hand any concern that reducing the presumptive limit will make judges more reluctant to permit depositions that exceed the new limit.¹²⁸ The Advisory Committee concluded that it was sufficient that the proposed Advisory Committee Note to Rule 26 would state, “Rule 30(a)(2), however, continues to direct that the court must grant leave to take more depositions to the extent consistent with Rule 26(b)(1) and (2).”¹²⁹ But that side-steps the issue. By reducing the presumptive limit to five depositions, the Rule would be placing the burden on a party to justify taking more than five depositions, a burden the party does not now have unless it seeks to take more than ten depositions. It also shifts the leverage in any negotiation between the parties’ attorneys over the number of depositions to be taken. Further, it would be only natural for judges to believe that, because the limit had been reduced to five depositions, they should be reluctant to permit depositions exceeding that limit. Otherwise, what would be the purpose of the rule change?

The Advisory Committee cites the expressed concern of *some judges* at the Duke Conference that civil litigators overuse depositions because they apparently hold the view that every trial witness needs to be deposed before trial, while noting the practice in criminal trials where witnesses are effectively cross-examined without the benefit of depositions.¹³⁰ The Section does not believe the comparison to criminal cases is apt. In criminal cases, for example, constitutional protections require disclosure of witness statements and exculpatory material to the defense.¹³¹ The government, on the other hand, has effective investigatory powers to obtain facts and pin down witnesses before trial, *e.g.*, wiretapping (widely used in white collar and other criminal cases), surveillance, and the power to question witnesses. Reducing the presumptive number of depositions because there are no depositions in criminal cases would put civil litigation back on the road to “trial by ambush.”

The Advisory Committee also cites the use of alternative dispute resolution (“ADR”) as another reason why depositions should be curtailed in civil litigation.¹³² Since ADR is effective, it is argued, and since depositions are not used in ADR, depositions are not necessary in civil litigation either.¹³³ This ignores the fact that depositions are, in fact, often used in arbitration.¹³⁴

Finally, some judges at the Duke Conference argued that depositions are not that important as few attorneys have, in their experience, used deposition transcripts to effectively impeach a witness. While this may be so, it ignores the fact that depositions are taken to “lock in” testimony so that the witness does not change his or her testimony on the stand. It also ignores the fact that depositions are taken as a discovery device to flesh out the facts of the case.

Therefore, there is no objectively reasonable basis to justify a reduction in the presumptive limits on depositions from ten to five, especially considering that a single plaintiff suing multiple defendants already is given the presumptive equivalent of the number of depositions as all defendants combined. While in such a situation a court may be likely to grant leave to exceed the limits imposed, reducing the threshold for court action, and compelling the parties to obtain such leave, itself imposes a litigation cost on the parties.

If there is a need to impose restrictions on discovery greater than those already in place, the Section believes that this will be accomplished through the proposed amendments to Rule 26(b)(1), which add a proportionality requirement to the scope of discovery. Any further restrictions on discovery should be implemented by the court during the Rule 16 conference after assessing the various factors set forth in the proposed revisions to Rule 26 concerning proportionality in discovery. That should be sufficient to prevent undue delay and cost in the vast majority of federal cases requiring discovery, which, as indicated by the 2009 FJC Preliminary Report, is not a problem in any event.

2. Reduction of the Presumptive Time Limit of Depositions

The Advisory Committee's justification for reducing the hours in a deposition day from seven to six is even less compelling and appears to be based entirely on anecdotal complaints that lunch and comfort breaks may extend the deposition day past 5:00 p.m.¹³⁵ There are no facts cited to demonstrate what percentage of federal depositions extend past normal business hours, nor whether any parties or litigants cite such "after hours" work as a major problem in litigation. The Advisory Committee also refers to the fact that in Arizona state court there is a limit of four hours.¹³⁶ The Section believes the comparison to the practice in state court in Arizona is inapt, as Arizona has strictly enforced disclosure requirements that compel parties to disclose their legal theories and witness statements very early in the litigation.¹³⁷ Again, without some factual data establishing that there is an actual problem needing redress, the Section cannot support the proposed amendment.

The Section also notes the proposed revisions to Rule 30 do not even attempt to deal with issues that currently arise under the present rules and which courts grapple with on a regular basis, including how to count Rule 30(b)(6) corporate witnesses and whether fact witnesses who are also designated as Rule 30(b)(6) witnesses are counted as two separate depositions with two full days of testimony;¹³⁸ whether leave must be taken to obtain a second Rule 30(b)(6) deposition of the same entity and whether the second deposition counts against the overall limit;¹³⁹ against whose side third party defendant deposi-

tions should be counted;¹⁴⁰ and whether excessive delays by counsel or the witness in an effort to "run out the clock" should be counted toward the overall time limit of the deposition.¹⁴¹ All of these disputes are likely to continue and be exacerbated by any further artificial limit on the number and length of depositions.

F. Rule 33

No data is offered to justify reducing the presumptive number of Rule 33 interrogatories from 25 to 15.¹⁴² While acknowledging that there has been "some concern" that 15 interrogatories are not enough, the Advisory Committee minimizes those concerns by stating in conclusory fashion the proposed rule change has not attracted "much" concern and that "15 will meet the needs of most cases[.]"¹⁴³ Because the Advisory Committee has not demonstrated there is a problem with the current limit of 25 interrogatories, the Section cannot support the proposed amendment. If it is not broken, do not try to fix it, particularly because the law of unintended consequences always applies.

We also note the proposed change to Rule 33 does not address existing disputes under the current rule about whether "subparts" are "discrete" or "logically related."¹⁴⁴ Reducing the presumptive number of interrogatories will encourage more broadly worded and burdensome interrogatories.

While the Advisory Committee states that the presumptive limit needs to be reduced "to encourage the parties to think carefully about the most efficient and least burdensome use of discovery devices,"¹⁴⁵ it is difficult to see how this will be effectively accomplished when the Advisory Committee is seeking to limit the use of all discovery devices. Indeed, the reduction in the number of interrogatories to 15 places a greater emphasis on the use of requests to admit under Rule 36 and on oral depositions to secure testimony. Since the potential use of these discovery devices is proposed to be reduced as well,¹⁴⁶ it is difficult to see what options the Advisory Committee intends should be contemplated. (It would be interesting for the FJC to study the interplay among all of the discovery devices permitted, and whether imposing restrictions on one type of discovery may inversely affect practitioners' use of other discovery devices.)

G. Rule 34

The Advisory Committee's proposed amendments to Rule 34(b)(2)(B) appear reasonably calculated to address the goal of requiring greater specificity in parties' responses to document requests, and the Section supports them.¹⁴⁷ The proposed amendments would expressly require a responding party to: (1) "state the grounds for objecting to the request with specificity," and (2) state that it will produce copies of documents or electronically stored information instead of permitting inspection.¹⁴⁸

The Advisory Committee also proposes amending Rule 34(b)(2)(B) to provide that “the responding party may state that it will produce copies of documents or of electronically stored information instead of permitting inspection[,]” but that “the production must [] be completed no later than the time for inspection stated in the request or a later reasonable time stated in the response.”¹⁴⁹ The Section supports these amendments. It also endorses the statement to be included in the proposed Advisory Committee Note to amended Rule 34 that, “[w]hen it is necessary to make the production in stages[,] the response should specify the beginning and end dates of production[.]”¹⁵⁰ but we recommend that the language be included in Rule 34(b)(2)(B) itself, not merely in the Advisory Committee Note.

The proposed amendments to Rule 34(b)(2)(C) would also require parties to affirmatively state whether any responsive materials are being withheld from production on the basis of a stated objection.¹⁵¹ As the Advisory Committee itself recognizes, all too often responses to Rule 34 Requests are designed to obfuscate, and the requesting party has little idea whether any responsive materials are being withheld on the basis of an objection to a particular request.

The Section approves the Committee’s goal but is concerned the proposal may have unintended consequences. For example, the amendments as written would seemingly require a responding party to obtain extensions of time to respond until it knows whether documents to a particular request are being withheld. Such a response can only be accurately made after there has been a sufficient document review to enable an accurate response. Yet, it does not appear to be desirable to delay a written response for that reason. This potential problem could be cured by making it clear in the proposed rules that a party can respond by saying, in effect, that it has not yet determined whether responsive documents are being withheld to the request, but it will supplement its response to provide that information within a reasonable time.¹⁵²

H. Rule 36

The Advisory Committee proposes limiting the number of requests for admissions to 25, excepting requests to admit the genuineness of documents, unless otherwise stipulated or ordered by the court.¹⁵³ There is currently no presumptive limit on the number of requests for admission.¹⁵⁴ The Advisory Committee does not cite any data to support the need for this rule change. The Advisory Committee merely states that “[t]his proposal did not draw much criticism....”¹⁵⁵

The imposition of the new presumptive limit will create more issues than any it purports to solve. There will inevitably be disputes about what constitutes a “discrete subpart,” similar to those involving interrogatories. Moreover, it is inevitable that there will be disputes about

whether the request to admit is truly directed at admitting the genuineness of the document as opposed to some other purpose. For example, in a forgery case, a request to admit the genuineness of the document in dispute will generate controversy as to whether it should be counted toward the limit or not.

There is no demonstrated need for the proposed change. The Section recommends that it not be made.

I. Rule 37

Current Rule 37(e) provides a “safe harbor” from sanctions for the loss of electronically stored information (ESI) “as a result of the routine, good faith operation of an electronic information system.”¹⁵⁶ The rule essentially codifies existing case law that, in the absence of a duty to preserve, routine destruction of ESI for business and technical rationales does not constitute spoliation subject to sanctions under the Federal Rules of Civil Procedure. The Advisory Committee proposes to replace this rule with a new broader provision governing the availability and nature of curative measures and sanctions for failures to preserve discoverable information.¹⁵⁷

The proposed rule governs failures to preserve discoverable information in anticipation or conduct of litigation. It thereby brings within the purview of the Federal Rules conduct that currently is dealt with by the inherent power of the courts, including conduct that occurs prior to the filing of any litigation.¹⁵⁸

As cases like *Silvestri* indicate, there is no good reason to limit the establishment of a standard for preservation to ESI. Further, it would be anomalous and confusing to establish a preservation standard and remedial measures for ESI but continue to leave spoliation of other discoverable matter to the inherent power of the court. Therefore, the Section answers no to the Advisory Committee’s first question, “Should the rule be limited to sanctions for loss of electronically stored information?”¹⁵⁹

Proposed Rule 37(e)(1) divides remedial measures into: (a) curative measures, such as additional discovery or paying reasonable expenses, including attorneys’ fees; and (b) sanctions, such as an adverse-inference jury instruction or those listed in Rule 37(b)(2)(A), directing that matters be taken as established in the action, prohibiting introduction into evidence of designated matters, staying further proceedings until an order is obeyed, striking portions of pleadings, dismissing pleadings, rendering a default judgment, or holding a witness or party in contempt.¹⁶⁰ However, the proposal provides that sanctions may be imposed only: (1) if the failure to preserve (a) was willful or in bad faith and (b) caused substantial prejudice; or, (2) if the failure “irreparably deprive[s] a party of any meaningful opportunity to present or defend against claims in the litigation.”¹⁶¹ Proposed Rule 37(e)(2) lists nonexclusive factors for a court to consider in assessing a party’s conduct: (A) the extent of notice that litigation was

likely and the information would be discoverable; (B) the reasonableness of efforts to preserve; (C) the reasonableness of any request to preserve and the good faith of the parties in any subsequent consultation about the scope of preservation; (D) the proportionality of any preservation efforts; and (E) any request for the court's guidance.¹⁶²

1. Addition of a Rule Concerning Preservation

The Section wholeheartedly supports codifying the obligation to preserve information in anticipation of and during litigation. Among other things, this should encourage more consistent application of the standards for triggering and defining the scope of the duty to preserve.¹⁶³ The Section also agrees that the appropriate scope of information to be preserved is "discoverable information," as defined in proposed Rule 26(b)(1) or, if not adopted, current Rule 26(b)(1).

2. Remedies

"[T]he range of available sanctions serve both normative—designed to punish culpable conduct and deter it in others—and compensatory—designed to put the party adversely affected by the spoliation in a position that is as close to what it would have been in had the spoliation not occurred—functions."¹⁶⁴ Remedial measures "should '(1) deter the parties from engaging in spoliation; (2) place the risk of an erroneous judgment on the party who wrongfully created the risk; and (3) restore the prejudiced party to the same position [it] would have been in absent the wrongful destruction of evidence by the opposing party.'"¹⁶⁵ However, the Circuit Courts of Appeal have varying standards as to what level of culpability and prejudice justify different remedial measures, as well as how these factors interrelate in determining sanctions for spoliation.¹⁶⁶

The Section applauds the Advisory Committee's attempt to bring order out of the chaos of the differing standards for remedial measures for spoliation. The Section agrees there should be a showing of substantial prejudice and willfulness or bad faith to impose sanctions.¹⁶⁷ The Section sees no reason to define "substantial prejudice" any further, as it will be context specific.¹⁶⁸ However, some clarification is needed regarding the burden of establishing substantial prejudice, the definition of willfulness, and whether "actions" include failures to act.

The proposed rule should be clarified to state that the burden of demonstrating that there was no substantial prejudice should fall on the party acting willfully or in bad faith to spoliator relevant material.¹⁶⁹ Concerns have been raised regarding whether the proposed rule is inconsistent with the goals of sanctions, *i.e.*, to deter, to shift risks to parties destroying evidence, and to compensate parties prejudiced by sanctionable behavior. In other words, an intentional spoliator might be better off destroying all relevant ESI so that there could be no showing of substantial prejudice from the now nonexistent ESI. For precisely this reason, many courts have applied

a presumption of prejudice where a party has destroyed evidence willfully or in bad faith.¹⁷⁰

Burdening parties with the necessity of proving the relevance of information that no longer exists presents obvious problems. While the Advisory Committee points out several ways in which ESI that has been destroyed in one form may be ferreted out in another, this is not always possible. A party that destroys evidence stored in all its existing locations could be rewarded, even if it acted in bad faith, because of the difficulty of showing the content of the information destroyed.

The Advisory Committee Notes should define the standard of willfulness consistent with *Pension Comm.*, as "intentional or reckless conduct that is so unreasonable that harm is highly likely to occur."¹⁷¹ Such a definition may avoid the question of whether "willful" in the context of the rule applies to actions that are intentional as opposed to inadvertent. For example, if a party believes that certain ESI is outside the scope of the preservation duty and destroys that ESI, does such behavior in conjunction with the other requirements of the rule support sanctions? In other words, can a party be sanctioned for actions which substantially prejudice an adversary, if undertaken intentionally but in good faith?

Clarification is also necessary for the requirement that "actions" causing substantial prejudice or irreparably depriving a party of any meaningful opportunity to present or defend against claims include omissions. For example, if a party intentionally allows the overwriting of discoverable ESI to occur by the routine operation of its electronic information systems, notwithstanding that it knows it has a duty to preserve that ESI and that a failure to do so will cause substantial prejudice to its adversary, this failure to act should be considered at least willful.¹⁷²

The Section agrees that, regardless of the level of culpability, sanctions may be imposed if a party's actions have "irreparably deprived a party of any meaningful opportunity to present or defend against claims."¹⁷³ If parties cannot be sanctioned for negligent or grossly negligent spoliation, they may be disincentivized from making reasonable efforts to preserve ESI, because the only penalty is a curative measure. Were this provision not included in the proposed rule, the Section would be concerned that the sanctions of an adverse-inference jury instruction or a direction establishing matters or facts could not be imposed where the spoliator was merely grossly negligent or reckless, meaning that the spoliator failed "'to exercise even that care which a careless person would use.'"¹⁷⁴ The standard stated in proposed Rule 37(e)(1)(B) (ii) is sufficiently high that it likely will be only in the rare case that sanctions may be imposed when a spoliator does not act willfully or in bad faith.¹⁷⁵

Litigants acting in good faith and consistently with their ethical obligations would not be likely to exploit

the availability of this exception to harass an adversary by causing ancillary litigation about spoliation. Such conduct would be independently sanctionable. The proposed rule should not be eliminated simply because it could present opportunities for parties acting in bad faith for purposes of harassment.

3. Factors to Be Considered

Proposed Rule 37(e)(2) lists nonexclusive factors to be considered in “assessing a party’s conduct.”¹⁷⁶ While the Section strongly endorses the concept of describing with particularity these and other such factors in the text of the rule, we are concerned that the language and the factors listed do not clearly express the Advisory Committee’s intent.¹⁷⁷ The introductory language indicates the listed factors should bear on “determining whether a party failed to preserve discoverable information that should have been preserved...and whether the failure was willful or in bad faith.”¹⁷⁸ First, by singling out willfulness and bad faith, an implication may be read into the language that the factors do not bear on whether actions were negligent or grossly negligent, which could affect what is an appropriate corrective measure under proposed Rule 37(e)(1)(A).

Second, while the proposed Advisory Committee Note to Subdivision (e)(1)(B)(i) states an “expectation” that courts “will employ the least severe sanction needed to repair the prejudice resulting from loss of the information[.]”¹⁷⁹ that expectation has no foundation in the language of the proposed rule. The Section recommends the expectation be made explicit in the introductory language to Rule 37(e)(2). Accordingly, the Section suggests that the introductory language of proposed Rule 37(e)(2) be rewritten to read: “The court should consider all relevant factors in selecting the least severe curative measure or sanction under Rule 37(e)(1) needed to repair any prejudice resulting from the loss of information, including....”

J. Rule 84, Rule 84 Official Forms and Related Proposed Amendment to Rule 4

Recent decisions by the Supreme Court have caused courts to reconsider federal pleading standards.¹⁸⁰

The uncertainty surrounding pleading standards has caused many to question the propriety of Rule 84 and its Official Forms.¹⁸¹ The Advisory Committee established a Rule 84 subcommittee to gather information about the use of Rule 84’s Official Forms. The information obtained indicated that neither practitioners nor *pro se* litigants make much use of these forms. In light of the fact that the Official Forms are not typically consulted and yet live in tension with changing pleading standards, the Advisory Committee recommends that Rule 84 and its Official Forms be abrogated rather than amended. Because Official Forms 5 (Notice of a Lawsuit and Request to Waive

Service of a Summons) and 6 (Waiver of the Service of Summons) remain relevant and useful, the Advisory Committee recommends that these forms be retained by recasting them as forms attendant to Rule 4.

The Section agrees with the Advisory Committee’s recommendations.

1. Solutions Considered

The Advisory Committee considered several solutions, including (a) making no changes to Rule 84 and the Official Forms, (b) revising and maintaining the Official Forms so that they conform to, and stay in conformity with, contemporary practice, and (c) abrogating Rule 84 and its Official Forms.¹⁸²

The Section agrees with the Advisory Committee that the first option, making no changes to Rule 84 and the Official Forms, is unappealing. In certain instances, the forms are no longer satisfactory, and yet Rule 84 reads, “The forms in the Appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.”

We agree with the Advisory Committee that the second option, updating and maintaining the Official Forms, would require a substantial commitment without a substantial benefit, in light of the understanding that the Official Forms are not widely used.

The third option, abrogating Rule 84 and the Official Forms, takes into consideration the lack of popularity of the forms, the substantial work necessary to update them, and the fact that alternative sources exist for high-quality forms.¹⁸³ A complete abrogation of the Official Forms without any remedial measure would, however, do away with Official Forms 5 and 6. These forms are exceptional because they remain useful today; indeed, the language in Official Form 5 must be used by plaintiffs in certain circumstances.¹⁸⁴ The Advisory Committee has therefore recommended that Official Forms 5 and 6 become part of Rule 4. The Section supports that recommendation.

2. History of the Official Forms

Pleading forms were adopted in 1938 as illustrations to educate the bench and bar on the sweeping effect of Rule 8(a)(2), which shifted the pleading standard from one of Code pleading to one that required merely “a short and plain statement of the claim showing that the pleader is entitled to relief.” In 1948, those pleading forms and the other Official Forms were recognized to be sufficient under the Federal Rules. Today, the pleading forms do not include examples of many commonly pled actions. More troubling is the fact that some of the pleading forms, such as the one for patent infringement (Form 18), are inadequate.¹⁸⁵ No effort has been made to update these forms to keep them current with the changing jurisprudence on pleading standards.

3. Abrogation of Rule 84 and its Official Forms Except Official Forms 5 and 6

Although the concept of notice pleading was a fresh one when the Official Forms were initially promulgated, that concept is now well understood by the bar. Moreover, *Iqbal* and *Twombly* now demand something more than what is contemplated by the Official Forms. The Official Forms can therefore mislead the few who continue to make use of them. The Section agrees with the Advisory Committee that better practice would be to abrogate Rule 84 and its Official Forms, except for Forms 5 and 6, and to establish a liaison with the Administrative Office's working group on forms. In this way, high-quality, current forms may be maintained and developed and neither the bar nor *pro se* litigants will be harmed by the loss of the Official Forms.

4. Retention and Repositioning of Forms 5 and 6

Rule 4(d)(1)(D) requires litigants to use the language in Form 5 (Notice of a Lawsuit and Request to Waive Service of a Summons) when they wish both to notify their opposition of the commencement of an action and request that the opposition waive service of a summons. Form 6 (Waiver of the Service of Summons) is the suggested form for the responsive waiver requested by Form 5. While the precise language of Form 6 is not expressly required, the purpose of Form 6 is inextricably tied to that of Form 5. Therefore, Form 6 remains quite useful. In light of the proposed abrogation of Rule 84 and its Official Forms, the Section approves of the Advisory Committee's recommendation to recast Official Forms 5 and 6 as forms attendant to Rule 4. This elegant solution enables the retention of these two useful forms without impinging upon the decision to abrogate Rule 84 and its Official Forms.

5. Abrogation of the Official Forms Will Not Create a Vacuum

A working group on federal forms exists within the Administrative Office. It is composed of six judges and six court clerks. Their forms can be accessed via the Administrative Office's website, <http://www.uscourts.gov>. In the event the Official Forms are abrogated, the Advisory Committee has proposed that it appoint a liaison to work with the Administrative Office's working group. If warranted, a Forms Subcommittee could be established to review new and updated forms prepared by the working group.

Accordingly, the Section recommends the abrogation of Rule 84 and its Official Forms as well as the recasting of Official Forms 5 and 6 as Rule 4 Forms.

V. Conclusion

As set forth above, the Section supports many of the proposed amendments, but is unable to support certain of the proposed amendments because it has concluded they are not warranted or will not achieve their objective.

The Section does not support the proposed amendment to Rule 1, which would add the language "and employed by the court and the parties."

The Section supports the proposed amendment to Rule 4(m) to shorten the time to serve a summons and complaint, but recommends that the Advisory Committee Note explicitly state that extensions of time under the "good cause" exception should be liberally granted and that the proposed amendment is not intended to effect any change in the discretion the courts currently have to grant extensions even in the absence of good cause.

The Section supports all of the proposed amendments to Rule 16(b): (1) shortening the time for the court to issue the scheduling order unless there is good cause for delay (Rule 16(b)(2)); (2) adding to the subjects that may be included in the scheduling order, including a provision that requires a movant to request a court conference before making a discovery motion (Rule 16(b)(3)); and (3) the deletion in Rule 16(b)(1)(B) to emphasize that a scheduling conference with the court be by direct, simultaneous communication with the parties.

The Section supports all of the proposed amendments to Rule 26. It supports the proposed amendment to Rule 26(f) to include as topics of the parties' discussion in their Rule 26(b) conference two of the permitted subjects that would be added under Rule 16(b): preservation of electronically stored information and Rule 502 agreements. The Section supports the proposed amendment of Rule 26(d)(2) to permit early Rule 34 requests and to extend the time to respond to them to 30 days after the first Rule 26(f) conference.

The Section supports, with caution, the proposed amendment to Rule 26(b)(1) regarding scope of discovery that would include a requirement that the discovery be proportional to the needs of the case after considering certain specified factors, which are taken from Rule 26(b)(2)(C)(iii). It suggests that the Advisory Committee Note to amended Rule 26(b)(1) make clear that existing case law interpreting and applying Rule 26(b)(2)(C)(iii) would apply to the new language.

The Section supports the deletion of the current language in Rule 26(b)(1) authorizing a court to order, upon good cause, discovery of "any matter relevant to the subject matter involved in the action." The Section also supports the deletion of the current text in Rule 26(b)(1) providing that "[r]elevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence" and to substitute language stating that "[i]nformation within this scope of discovery need not be admissible in evidence to be discoverable."

Finally, the Section supports, with caution, the deletion of the current text in Rule 26(b)(1) that provides that matter relating to the "existence, description, nature,

custody, condition and location of any documents or tangible things, and the identity and location of any persons who know of discoverable material” is discoverable. The Section suggests that the Advisory Committee Note to amended Rule 26(b)(1) provide that the deletion does not mean that such matters are not discoverable.

The Section supports the proposed amendment to Rule 26(C)(1)(B) to expressly authorize a court, for good cause, to enter a protective order to protect a party from undue burden or expense by allocating discovery expenses. The Section suggests that the Advisory Committee make clear, either in the proposed new text or in the accompanying Advisory Committee Note, that the proposed change is not intended to alter the American rule on attorneys’ fees and does not authorize the court to allocate attorneys’ fees incurred in connection with disclosure or discovery, *i.e.*, that the term “expenses” does not include attorneys’ fees.

The Section does not support the proposed new or reduced presumptive limits on discovery:

- reducing the presumptive number of depositions from ten to five under Rules 30 and 31;
- reducing the length of a deposition from seven hours to six hours under Rule 30;
- reducing the presumptive number of interrogatories from 25 to 15 under Rule 33; and
- limiting to 25 under Rule 36 the number of requests for admission, other than requests to admit the genuineness of documents, unless otherwise stipulated or ordered by the court.

The Section supports the proposed amendments to Rule 34(b)(2)(B), which would expressly require a responding party to “state the grounds for objecting to the request with specificity” and to state whether it will produce copies of documents or electronically stored information instead of permitting inspection. It also supports the proposed amendment to Rule 34(b)(2)(B) that, in the case of production of copies, rather than inspection, the production be completed no later than the time for inspection stated in the request or a later reasonable time stated in the response. The Section supports the proposed amendment to Rule 34(b)(2)(C), which would require a responding party to affirmatively state whether any responsive materials are being withheld from production on the basis of a stated objection. However, the Advisory Committee should make clear, either in the Rule or in the Advisory Committee Note, that a party can respond by stating that it has not yet determined whether any responsive documents are being withheld on the basis of a stated objection, but will supplement its response within a reasonable time to provide that information.

The Section supports the proposed amendment to Rule 37(e)(1) to incorporate an obligation to preserve

information in anticipation of or during litigation. The Section also agrees that the appropriate scope of information to be preserved is “discoverable information.”

The Section supports the proposed amendment to Rule 37(e)(1) regarding measures the court may impose if “discoverable information” is not preserved after the duty to do so has arisen: (1) curative measures, such as additional discovery or paying reasonable expenses, including attorneys’ fees, and (2) sanctions, such as an adverse inference jury instruction or those listed in Rule 37(b)(2)(A).

The Section agrees that sanctions should be imposed only upon a showing of substantial prejudice and willfulness or bad faith, or if the failure irreparably deprives a party of any meaningful opportunity to present or defend against claims, regardless of the level of culpability. The Section does not agree that there should be an attempt to define “substantial prejudice,” as it will be context specific. However, some clarification is needed that the burden of establishing substantial prejudice should be shifted to the spoliator acting willfully or in bad faith, that willfulness is defined in the Advisory Committee Notes, and that “actions” in proposed Rule 37(e)(1)(B) include failures to act.

With respect to the proposed amendment of Rule 37(e)(2) to list nonexclusive factors the court should consider in assessing a party’s conduct, the Section supports the concept of describing such factors and supports the ones described in the proposed amendment. However, the Section recommends that the Advisory Committee’s “expectation” that courts “will employ the least severe sanction needed to repair the prejudice resulting from the loss of the information” be made explicit in the introductory language of Rule 37(e)(2), rather than in the proposed Advisory Committee Note to Rule 37(e)(1)(B). The Section suggests that the introductory language of proposed Rule 37(e)(2) be rewritten to read: “The court should consider all relevant factors in selecting the least severe curative measure or sanction under Rule 37(e)(1) needed to repair any prejudice resulting from the loss of information.”

The Section supports the proposed amendment to abrogate Rule 84 and the official Forms, except Forms 5 and 6, which would become part of Rule 4.

Endnotes

1. Memorandum of the Advisory Committee on Civil Rules (May 8, 2013; supplemented June 2013), *available at* <http://www.uscourts.gov/uscourts/rules/preliminary-draft-proposed-amendments.pdf> [hereinafter Advisory Committee Memo]. The Advisory Committee Memo forms part of the Preliminary Draft of Proposed Amendments to the Federal Rules of Bankruptcy and Civil Procedure. All page citations herein to the Advisory Committee Memo are based upon this online version.
2. *Id.* at 259, 270.
3. *Id.* at 270.
4. Opinions expressed are those of the Section preparing this report and do not represent those of the New York State Bar Association

- unless and until the report has been adopted by the Association's House of Delegates or Executive Committee.
5. Advisory Committee Memo, *supra* note 1, at 259.
 6. *Id.* at 260.
 7. Hon. John G. Koeltl, *Progress in the Spirit of Rule 1*, 60 DUKE L.J. 537, 542 (2010).
 8. *Id.*
 9. See Richard L. Marcus, *Discovery Containment Redux*, 39 B.C. L. REV. 747, 767 n.111 (1998).
 10. *Id.* at 767.
 11. *Id.* at n.111.
 12. FED. R. CIV. P. 30(d) Advisory Committee Notes (2000).
 13. Marcus, *supra* note 9, at 754.
 14. *Id.* at 754-60.
 15. *Id.* at 775 (citing Committee on Discovery, N.Y. State Bar Ass'n, Section on Commercial and Fed. Litig., *Report on Discovery Under Rule 26(b)(1)*, 127 F.R.D. 625, 634-38 (1989)).
 16. Edward R. Finch, *Some Fundamental and Practical Objections to the Preliminary Draft of Rules of Civil Procedure for the District Courts of the United States*, 22 A.B.A. J. 809, 809 (1936).
 17. *Id.* at 810.
 18. Comment, *Tactical Use and Abuse of Depositions under the Federal Rules*, 59 YALE L.J. 117, 126-127 (1949).
 19. *Id.* at 138.
 20. William H. Speck, *The Use of Discovery in United States District Courts*, 60 YALE L.J. 1132, 1148 (1951).
 21. Maurice Rosenberg, *Sanctions to Effectuate Pretrial Discovery*, 58 COLUM. L. REV. 480, 482 (1958).
 22. Advisory Committee Memo, *supra* note 1, at 281. Throughout this Report, additions are signified by underlining, and deletions by ~~strikeouts~~.
 23. *Brown Shoe Co. v. United States*, 370 U.S. 294, 306 (1962) (citation marks omitted).
 24. Advisory Committee Memo, *supra* note 1, at 269; *see also* The Sedona Conference Cooperation Proclamation, *available at* www.thesedonaconference.org (last visited September 24, 2013).
 25. Advisory Committee Memo, *supra* note 1, at 270.
 26. *Id.*
 27. *Id.*
 28. *Id.*
 29. *Id.* (emphasis added).
 30. *Id.*
 31. *Id.*
 32. FED. R. CIV. P. 1 Advisory Committee Notes (1993) (emphasis added).
 33. See *Kenney v. California Tanker Co.*, 381 F.2d 775, 777 (3d Cir. 1967) (courts have that responsibility); *Smarter Agent, LLC v. Mobilerealtyapps.com, LLC*, 889 F. Supp. 2d 673, 677 (D. Del. 2012) (same).
 34. Advisory Committee Memo, *supra* note 1, at 270.
 35. *Id.* at 281.
 36. See, e.g., *Kleen Products LLC v. Packaging Corp. of Am.*, No. 10 C 5711, 2012 U.S. Dist. LEXIS 139632, at *6, 30, 58-60 (N.D. Ill. Sept. 28, 2012), *objections overruled in* 2013 U.S. Dist. LEXIS 3016 (N.D. Ill. Jan. 9, 2013); *Apple Inc. v. Samsung Electronics Co. Ltd.*, No. 12-CV-0630-LHK (PSG), 2013 U.S. Dist. LEXIS 53409, at *3 n.22 (N.D. Cal. May 9, 2013); *U.S. Bank Nat. Ass'n v. PHL Variable Ins. Co.*, No. 12 Civ. 6811 (CM) (JCF), 2013 U.S. Dist. LEXIS 57640, at *2 (S.D.N.Y. Apr. 22, 2013).
 37. Advisory Committee Memo, *supra* note 1, at 282.
 38. *Id.* at 261.
 39. *Id.*
 40. *Id.*
 41. *Id.* at 287.
 42. *Id.* at 262.
 43. See *Meilleur v. Strong*, 682 F.3d 56, 61 (2d Cir. 2012) (under Rule 4(m), "district courts have discretion to grant extensions, and may do so even in the absence of 'good cause'" (citations omitted)); FED. R. CIV. P. 4(m) Advisory Committee Notes (1993) ("The new subdivision...authorizes the court to relieve a plaintiff of the consequences of an application of this subdivision even if there is no good cause shown"); 4B CHARLES ALAN WRIGHT ET AL., *FEDERAL PRACTICE AND PROCEDURE* § 1137, pp. 364-69 (3d ed. 2002).
 44. FED. R. CIV. P. 16 Advisory Committee Notes (1983).
 45. *See id.*
 46. *See id.* In light of the current proposed amendment's emphasis on a Rule 16(b) conference, it is interesting that the Advisory Committee observed, more than twenty years ago, that "in view of the benefits to be derived from the litigants and a judicial officer meeting in person, a Rule 16(b) conference should, to the extent practicable, be held in all cases that will involve discovery." *Id.*
 47. Advisory Committee Memo, *supra* note 1, at 287.
 48. *Id.* at 261.
 49. *Id.* at 262; *see also id.* at 287.
[A] new provision recognizes that the court may find good cause to extend the time to issue the scheduling order. In some cases it may be that the parties cannot prepare adequately for a meaningful Rule 26(f) conference and then a scheduling conference in the time allowed. Because the time for the Rule 26(f) conference is geared to the time for the scheduling conference or order, an order extending the time for the scheduling conference will also extend the time for the Rule 26(f) conference.
 50. *Id.* at 262.
 51. *Id.* at 262 ("if there is to be a scheduling conference...it should be by direct communication; 'mail, or other means' are not effective").
 52. *Id.* at 286-87.
 53. Advisory Committee Memo, *supra* note 1, at 261.
 54. See *IWOI, LLC v. Monaco Coach Corp.*, No. 07 C 3453, 2011 U.S. Dist. LEXIS 55333, at *3 (N.D. Ill. May 24, 2011) (describing the party's inability to agree to a search methodology "despite the Court's repeated directives to meet and confer."); *Seven Seas Cruises S. De R.L. v. VShips Leisure Sam*, No. 09-23411-CIV-UNGARO/SIMONTON, 2011 U.S. Dist. LEXIS 7063, at *18 (S.D. Fla. Jan. 19, 2011) (noting that the discovery dispute between the parties was caused by "the parties' mutual failure to communicate and work together in a good faith effort to resolve the areas of dispute").
 55. Advisory Committee Memo, *supra* note 1, at 262.
 56. *Id.* at 263.
 57. See FED. R. CIV. P. 16(b)(3); Fed. R. Civ. P. 16(b)(3) Advisory Committee Notes (2006).
 58. *See id.*
 59. Advisory Committee Memo, *supra* note 1, at 263.
 60. *Id.* at 286.
 61. *Id.* at 263, 287.
 62. *Id.* at 263.
 63. *See id.* at 289-96.
 64. *Id.* at 295.
 65. Counsel can find further direction on drafting the discovery plan in the Advisory Committee Notes to the 1993 Amendments.
 66. Advisory Committee Memo, *supra* note 1, at 294. A corresponding change would be made to Rule 34(b)(2)(A) setting the time to

respond to a request delivered under Rule 26(d)(2) within 30 days after the parties' first Rule 26(f) conference.

67. See *id.* at 306.
68. *Id.* at 263.
69. *Id.* at 264.
70. *Id.*
71. *Id.* at 289-90.
72. Marcus, *supra* note 9, at 775.
73. *Hickman v. Taylor*, 329 U.S. 495, 507 (1947) (commenting on the broad discovery under the Federal Rules: "No longer can the time-honored cry of 'fishing expedition' serve to preclude a party from inquiring into the facts underlying his opponent's case.").
74. ABA Special Committee, *Report to the Bench and Bar*, 92 F.R.D. 151, 157-158 (1980) (narrowed scope of discovery in response to the "sweeping and abusive discovery [that] is encouraged by permitting discovery confined only by the 'subject matter' of a case (existing Rule 26 language) rather than limiting it to the issues presented").
75. *Id.* at 140; see generally *Preliminary Draft of Proposed Amendments to the Federal Rules of Civil Procedure*, 77 F.R.D. 613 (1978) (same).
76. See *Revised Preliminary Draft of Proposed Amendments to the Federal Rules of Civil Procedure*, 80 F.R.D. 323 (1979); see Marcus, *supra* note 9, at 759 ("forty individuals and five bar groups opposed any change, five individuals or groups approved of the [Advisory] Committee's tentative draft, and eight individuals or groups endorsed the ABA Special Committee's proposal").
77. ABA Special Committee, *Report to the Bench and Bar*, 92 F.R.D. at 157.
78. *Id.* at 140, 142 ("[a]doption of the more focused 'claims and defenses' relevance in subdivision (b)(1)...will be a significant step toward elimination of unnecessarily expansive and expensive discovery").
79. FED. R. CIV. P. 26(b) Advisory Committee Notes (1983).
80. See *Report on Discovery under Rule 26(b)(1)*, 127 F.R.D. 625, 629 (1989).
81. *Id.*
82. *Id.* at 625, 634-635.
83. Marcus, *supra* note 9, at 776 n.153 (quoting Advisory Comm. on the Civil Rules, Civil Rules Committee Minutes 9 (Nov. 17-18, 1989) (on file with author)).
84. *Id.*
85. FED. R. CIV. P. 26(b) Advisory Committee Notes (2000) (emphasizing that parties "have no entitlement to discovery to develop new claims or defenses that are not already identified in the pleadings").
86. FED. R. CIV. P. 26(b)(1).
87. See, e.g., Advisory Committee Memo, *supra* note 1, at 265; WRIGHT ET AL., *supra* note 43, at § 2008 (2d ed. 2008); Thomas D. Rowe, Jr., *A Square Peg in a Round Hole? The 2000 Limitation on the Scope of Federal Civil Discovery*, 69 TENN. L. REV. 13, 17 (2001) (echoing earlier commentary, the 2000 amendments to Rule 26(b) were intended "to involve the court more actively in regulating the breadth of sweeping or contentious discovery"); Fed. R. Civ. P. 26 Advisory Committee Notes (2000); see also Fed. R. Civ. P. 26 Advisory Committee Notes (1983) ("The rule contemplates greater judicial involvement in the discovery process and thus acknowledges the reality that it cannot always operate on a self-regulating basis"); Fed. R. Civ. P. 26 Advisory Committee Notes (1993) ("Textual changes are then made...to enable the court to keep tighter rein on the extent of discovery"). Thus, when the party opposing the discovery request argues that it goes beyond what is relevant to the claims or defenses, "the court would become involved to determine whether the discovery is relevant to the claims or defenses and, if not, whether good cause exists for authorizing it so long as it is relevant to the subject matter of the action." Fed. R. Civ. P. 26 Advisory Committee Notes (2000).

Based on "the reasonable needs of the action[,] [t]he court may permit broader discovery in a particular case depending on the circumstances of the case, the nature of the claims and defenses, and the scope of the discovery requested." *Id.*

88. Advisory Committee Memo, *supra* note 1, at 265.
89. Current Rule 26(b)(2)(C)(iii) provides in pertinent part:

(C) When Required. On motion or on its own, the court must limit the frequency or extent of discovery otherwise allowed by these rules or by local rule if it determines that:

* * *

(iii) the burden or expense of the proposed discovery outweighs its likely benefit, considering the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the action, and the importance of the discovery in resolving the issues.
90. See Advisory Committee Memo, *supra* note 1, at 292.
91. WRIGHT ET AL., *supra* note 43, at § 2008.1, p. 150 (3d ed. 2010).
92. *Id.*
93. *Id.*
94. *Mancia v. Mayflower Textile Servs. Corp.*, 253 F.R.D. 354, 357 (D. Md. 2008); *Rimkus Consulting Group, Inc. v. Cammarata*, 688 F. Supp. 2d 598, 613 (S.D. Tex. 2010); *Kay Beer Distrib., Inc. v. Energy Brands, Inc.*, No. 07-C-1068, 2009 U.S. Dist. LEXIS 17733 (E.D. Wis. June 10, 2009).
95. The Sedona Conference Commentary on Proportionality in Electronic Discovery, January 2013.
96. Seventh Circuit Electronic Discovery Pilot Program Committee website, available at <http://www.discoverypilot.com/about-us> (last visited Sept. 24, 2013); Delaware Default Standard for Discovery, available at <http://www.ded.uscourts.gov/SLR/Misc/Electronic-Standard-for-Discovery.pdf> (last visited Sept. 24, 2013); Northern District of California Guidelines for the Discovery of Electronically Stored Information, Nov. 27, 2012, available at (<http://www.cand.uscourts.gov/eDiscoveryGuidelines>) (last visited Sept. 24, 2013).
97. See Advisory Committee Memo, *supra* note 1, at 265 (regarding Rule 26(b)(2)(C)(iii), "[t]he problem is not with the rule text but with its implementation—it is not invoked often enough to dampen excessive discovery demands").
98. *Id.* at 264-65.
99. *Id.* at 265.
100. *Id.* at 296-97.
101. *Id.* at 265-66.
102. *Id.* at 297.
103. *Id.* at 290.
104. *Id.* at 289-90.
105. *Id.* at 266 (quoting FED. R. CIV. P. 26(b)(1) Advisory Committee Notes (2000)).
106. Advisory Committee Memo, *supra* note 1, at 266.
107. *Id.*
108. *Id.* at 289-90.
109. *Id.* at 290.
110. *Id.*
111. *Id.* at 292-93.
112. *Id.* at 266.
113. See *W Holding Co., Inc. v. Chartis, Ins. Co. of Puerto Rico*, No. 11-2271 (GAG/BJM), 2013 U.S. Dist. LEXIS 52313, at *16 (D. P.R. Apr. 3, 2013) (finding that Rule 26(b)(2)(B) was not triggered because access to the data was not "hindered by any unique technological hurdles"); *Couch v. Wan*, No. CV F 08-1621 LJO DLB, 2011 U.S. Dist. LEXIS 79043, at *8-11 (E.D. Cal. July 20, 2011) (ordering cost-

- shifting where non-party's data was stored on hard-drives and CD-ROMS and therefore accessible but would cost an estimated \$54,000 to process); *Mikron Indus., Inc. v. Hurd Windows & Doors, Inc.*, No. C07-532RSL, 2008 U.S. Dist. LEXIS 35166, at *5-6 (W.D. Wash. Apr. 21, 2008) ("Cost-shifting would not be appropriate" in the context of searching non-backup ESI, such as employee hard drives and active e-mail servers, "as this ESI is considered reasonably accessible within the meaning of Fed. R. Civ. P. 26(b) (2)(C)."); *Ameriwood Indus., Inc. v. Liberman*, No. 4:06CV524-DJS, 2007 U.S. Dist. LEXIS 10791 (E.D. Mo. Feb. 12, 2007) (denying request for production of accessible information based solely on the volume of the potentially responsive e-mail and computer files where the requesting party failed to meet its burden of showing good cause for the production).
114. Advisory Committee Memo, *supra* note 1, at 267. This proposed reduction also relates to Rule 30 (Depositions by Written Questions).
 115. *Id.* at 300.
 116. *Id.* at 303.
 117. *Id.* at 267.
 118. *Id.*
 119. Available at <http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Duke%20Materials/Library/FJC%20National%20Case-Based%20Civil%20Rules%20Survey.pdf> [hereinafter FJC Preliminary Report].
 120. Advisory Committee Memo, *supra* note 1, at 267.
 121. *Id.*
 122. FJC Preliminary Report, *supra* note 119, at 10.
 123. Indeed, two decades of empirical studies by the FJC have failed to show that the number and length of depositions have been out of proportion to the stakes in cases. See Thomas E. Wilging, Donna Stienstra, John Shepard and Dean Miletich, *An Empirical Study of Discovery and Disclosure Practice under the 1993 Federal Rule Amendments*, 39 B.C. L. Rev. 525, 571 (1998) ("we have been unable to find reliable evidence that such [durational] limits [on depositions] have achieved their intended effects").
 124. Advisory Committee Memo, *supra* note 1, at 267.
 125. *Id.* at 268.
 126. *Id.*
 127. *Id.*
 128. *Id.*
 129. *Id.* at 301.
 130. *Id.* at 267-68.
 131. See *Brady v. Maryland*, 373 U.S. 83 (1963).
 132. Advisory Committee Memo, *supra* note 1, at 267.
 133. *Id.*
 134. See, e.g., *In Re Nat'l Fin. Partners Corp.*, No. 09-mc-00027-JF, 2009 U.S. Dist. LEXIS 34440 (E.D. Pa. Apr. 21, 2009).
 135. Advisory Committee Memo, *supra* note 1, at 268.
 136. *Id.*
 137. *Allstate Ins. Co. v. O'Toole*, 896 P.2d 254 (1995).
 138. See *Beaulieu v. Board of Trustees of the Univ. of West Florida*, No. 3:07cv30/RV/EMT, 2007 U.S. Dist. LEXIS 92641 (N.D. Fla. Dec. 18, 2007); *Sabre v. First Dominion Capital, LLC*, No. 01 Civ. 2145 (BSJ) (HBP), 2001 U.S. Dist. LEXIS 20637 (S.D.N.Y. Dec. 10, 2001).
 139. See *State Farm Mut. Auto. Ins. Co. v. New Horizon, Inc.*, No. 03-6516, 2008 U.S. Dist. LEXIS 96411 (E.D. Pa. Nov. 25, 2008).
 140. See *Foreclosure Management Co. v. Asset Management Holding LLC*, No. 07-2388-DJW, 2007 U.S. Dist. LEXIS 89291 (D. Kan. Dec. 3, 2007) (case management order defining plaintiffs to include counter- and cross-claimants, third-party plaintiffs, intervenors and "any other parties who assert affirmative claims for relief").
 141. See *Kingsway Fin. Servs. Inc. v. Pricewaterhouse-Coopers, LLP*, No. 03 Civ. 5560 (RMB)(HBP), 2008 U.S. Dist. LEXIS 105222, at *5-6 (S.D.N.Y. Dec. 31, 2008) (court review of video testimony to consider allegations of stalling).
 142. See Advisory Committee Memo, *supra* note 1, at 268.
 143. *Id.*
 144. *Mount Hamilton Partners v. Google Inc.*, No. CV12-01698, 2013 U. S. Dist. LEXIS 104556 (N.D. Cal. July 25, 2013).
 145. Advisory Committee Memo, *supra* note 1, at 305.
 146. *Id.* at 303-04, 310-11.
 147. Proposed Rule 34(b) reads as follows:
 - (b) PROCEDURE. * * *
 - (2) Responses and Objections. * * *
 - (A) *Time to Respond.* The party to whom the request is directed must respond in writing within 30 days after being served or if the request was delivered under Rule 26(d)(2)—within 30 days after the parties' first Rule 26(f) conference. A shorter or longer time may be stipulated to under Rule 29 or be ordered by the court.
 - (B) *Responding to Each Item.* For each item or category, the response must either state that inspection and related activities will be permitted as requested or state the grounds for objecting to the request with specificity, including the reasons. The responding party may state that it will produce copies of documents or of electronically stored information instead of permitting inspection. The production must be completed no later than the time for inspection stated in the request or a later reasonable time stated in the response.
 - (C) *Objections.* An objection must state whether any responsive materials are being withheld on the basis of that objection. An objection to part of a request must specify the part and permit inspection of the rest.

Advisory Committee Memo, *supra* note 1, at 306-07.

148. *Id.* at 307.
149. *Id.*
150. *Id.* at 309.
151. *Id.*
152. While the proposed rule requires an objection to state whether any responsive materials are being withheld on the basis of that objection, it does not require the materials to be described. In addition, if a party were to object to a document request as unduly burdensome or because it seeks documents beyond the permissible scope of discovery, for example, the proposed rule would not obligate the objecting party to review all documents sought by the request so as to disclose the existence of any withheld documents falling within its purview. We do not support a contrary interpretation, and assume such contrary interpretation was not intended by the Advisory Committee as it would be contrary to the goal of the proposed amendments to reduce the burden and expense of discovery. To avoid any doubt, the Advisory Committee Note to the proposed amendment should make that clear.
153. Advisory Committee Memo, *supra* note 1, at 310-11.
154. See FED. R. CIV. P. 36.
155. Advisory Committee Memo, *supra* note 1, at 269.
156. FED. R. CIV. P. 37(e).
157. Proposed Rule 37(a) reads as follows:
 - (a) MOTION FOR AN ORDER COMPELLING DISCLOSURE OR DISCOVERY. * * *
 - (3) Specific Motions. * * *
 - (B) *To Compel a Discovery Response.* A party seeking discovery may move for an order compelling an answer, designation, production, or inspection. This motion may be made if: * * *

(iv) a party fails to produce documents or fails to respond that inspection will be permitted—or fails to permit inspection—as requested under Rule 34.

Advisory Committee Memo, *supra* note 1, at 312-13.

158. See *Silvestri v. General Motors Corp.*, 271 F.3d 583, 590 (4th Cir. 2001) (in case about pre-litigation destruction of car alleged to be defectively designed, court notes that “the power to sanction for spoliation derives from the inherent power of the court, not substantive law”); *Adkins v. Wolever*, 554 F.3d 650, 652 (6th Cir. 2009) (authority to impose sanctions for spoliated evidence arises from a court’s inherent power).

It would not be a violation of the Rules Enabling Act, 28 U.S.C. § 2072, to apply remedial measures to conduct prior to the commencement of a suit. Cf. *Sibbach v. Wilson*, 312 U.S. 1, 13-16 (1941) (Rule 37 sanctions for discovery violations were constitutional exercises of rule-making power under Rules Enabling Act); *Perez v. Posse Comitatus*, 373 F.3d 321, 325-26 (2d Cir. 2004) (upholding court’s discretion to impose sanctions under Rule 11 for a violation in filing a complaint).

159. Advisory Committee Memo, *supra* note 1, at 275.
160. *Id.* at 314-15.
161. *Id.* at 315.
162. *Id.* at 316-17.
163. Compare *Goodman v. Praxair Servs. Inc.*, 632 F. Supp. 2d 494, 511 (D. Md. 2009) (letter threatening possible litigation and noting the retention of attorneys was sufficient to trigger a duty to preserve, even though litigation was not commenced until three years later), with *Cache La Poudre Feeds, LLC v. Land O’Lakes, Inc.*, 244 F.R.D. 614, 623 (D. Colo. 2007) (demand letter does not trigger a duty to preserve, if the letter does not actually threaten litigation or demand preservation).
164. *Victor Stanley, Inc. v. Creative Pipe, Inc.*, 269 F.R.D. 497, 534 (D. Md. 2010).
165. *Pension Comm. of the Univ. of Montreal Pension Plan v. Banc of Am. Sec., LLC*, 685 F. Supp. 2d 456, 469 (S.D.N.Y. 2010) (quoting *West v. Goodyear Tire & Rubber Co.*, 167 F.3d 776, 779 (2d Cir. 1999)).
166. Compare *Residential Funding Corp. v. DeGeorge Fin. Corp.*, 306 F.3d 99, 109 (2d Cir. 2002) (negligence sufficient to impose sanctions terminating the litigation), with *Vick v. Tex. Employment Comm’n*, 514 F.2d 734, 737 (5th Cir. 1975) (negligence not enough to impose severe sanctions); see also *Rinkus Consulting Group, Inc. v. Cammarata*, 688 F. Supp. 2d 598, 613-14 (S.D. Tex. 2010) (reviewing the varying standards for remedial measures based on culpability and prejudice).
167. See *Rinkus Consulting Group, Inc.*, 688 F. Supp. 2d at 614. Judge Scheindlin disagrees. In *Sekisui Am. Corp. v. Hart*, No. 12 Civ. 3479, 2013 U.S. Dist. Lexis 115533, at *19 n.51 (S.D.N.Y. Aug. 15, 2013), she wrote:

[I]mposing sanctions only where evidence is destroyed willfully or in bad faith creates perverse incentives and encourages sloppy behavior. Under the proposed rule, parties who destroy evidence cannot be sanctioned (although they can be subject to “remedial curative measures”) even if they were negligent, grossly negligent, or reckless in doing so.”

168. See *Rinkus Consulting Group, Inc.*, 688 F. Supp. 2d at 613 (prejudice occurs when spoliation substantially denies a party the ability to support or defend its claim); *Henry v. Gill Indus., Inc.*, 983 F.2d 943, 948 (9th Cir. 1993) (same); *Jones v. Bremen High Sch. Dist.* 228, No. 08 C 3548, 2010 U.S. Dist. LEXIS 51312, at *24-25 (N.D. Ill. May 25, 2010) (same); *Jain v. Memphis Shelby County Airport Auth.*, No. 08-2119-STA-dkv, 2010 U.S. Dist. LEXIS 16842 (W.D. Tenn. Feb. 25, 2010) (same); *Pension Comm. of the Univ. of Montreal Pension Plan*, 685 F. Supp. 2d at 479 (same); *Goodman*, 632 F. Supp. 2d at 519 (same); *Velez v. Marriott PR Mgmt., Inc.*, 590 F. Supp. 2d 235, 259 (D. P.R. 2008) (same). The Section answers “no” to the Advisory Committee’s fourth question, “Should there be an additional

definition of ‘substantial prejudice’ under Rule 37(e)(1)(B)(i)?” Advisory Committee Memo, *supra* note 1, at 275.

169. See *Sekisui Am. Corp.*, 2013 U.S. Dist. Lexis 115533, at *18 (once willfulness is established, “the risk that the evidence would have been detrimental rather than favorable [to the spoliator] should fall on the party responsible for the loss” (quoting *Residential Funding Corp.*, 306 F.3d at 108)).
170. See *Sekisui Am. Corp.*, 2013 U.S. Dist. Lexis 115533, at *21 (it “would allow parties who have destroyed evidence to profit from that destruction” (quoting *Residential Funding*, 306 F.3d at 109)).
171. 685 F. Supp. 2d at 464; see also *Victor Stanley, Inc.*, 269 F.R.D. at 530 (“[w]illfulness is equivalent to intentional, purposeful, or deliberate conduct”). The Section answers the Advisory Committee’s fifth question, “Should there be an additional definition of willfulness or bad faith under Rule 37(e)(1)(B)(i)?” (Advisory Committee Memo, *supra* note 1, at 275) by saying “yes” there should be a definition of willfulness in the Advisory Committee Notes, but “no” there should not be a definition of bad faith.
172. See *Sekisui Am. Corp.*, 2013 U.S. Dist. Lexis 115533, at *32 (destruction of ESI willful where plaintiff did not issue a litigation hold until 15 months after it sent a notice of claim, plaintiff did not notify its IT vendor of the duty to preserve until six months after the litigation hold and defendant’s and a key witness’s ESI was destroyed at the direct request of plaintiff’s employee after the duty to preserve had attached, in one case with the knowledge of plaintiff’s president).
173. Advisory Committee Memo, *supra* note 1, at 315; see also *Silvestri*, 271 F.3d at 593 (dismissal is “usually justified only in circumstances of bad faith,” but, “even when conduct is less culpable, dismissal may be necessary if the prejudice to the defendant is extraordinary, denying it the ability to adequately defend its case”).
174. *Pension Comm. of the Univ. of Montreal Pension Plan*, 685 F. Supp. 2d at 464 (quoting WILLIAM LLOYD PROSSER ET AL., PROSSER & KEATON ON TORTS § 34, at 211-12 (5th ed. 1984)).
175. Thus, the Section answers “yes” to the Advisory Committee’s second question, “Should Rule 37(e)(1)(B)(ii) be retained in the rule?” Advisory Committee Memo, *supra* note 1, at 275.
176. *Id.* at 316.
177. The Section therefore answers “no” to the Advisory Committee’s third question, “Should the provision of current Rule 37(e) be retained in the rule?” *Id.* at 275. The nonexclusive factors listed in proposed Rule 37(e)(2) seem to encompass any conduct that would be protected under the current rule.
178. *Id.* at 316 (emphasis added).
179. *Id.* at 322.
180. See *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (“Threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice.”); *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (“a plaintiff’s obligation to provide the grounds of his entitle[ment] to relief requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do” (internal quotation marks omitted)).
181. FED. R. CIV. P. 84 currently reads, “The forms in the Appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.”
182. Advisory Committee Memo, *supra* note 2, at 276.
183. The Administrative Office of the United States Courts (“Administrative Office”), among others, offers excellent forms at no charge.
184. See FED. R. CIV. P. 4(d)(1)(D) (stating a plaintiff must use language in Form 5 when requesting that defendant waive service of summons).
185. See *Gradient Enters., Inc. v. Skype Technologies S.A.*, 848 F. Supp. 2d 404, 407 (W.D.N.Y. Mar. 25, 2013).

October 1, 2013

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Litigation Proliferates Over the Streaming of Broadcast Television: *Aereo, Inc. v. American Broadcasting Companies, Inc.* and *Fox Television Stations, Inc. v. BarryDriller Content Systems, PLC*

By Peter J. Pizzi

The numerous suits arising out of the streaming of broadcast television over the Internet—complete with different outcomes within the Ninth Circuit and the Second Circuit—place on display an array of civil procedure tactics. Some of these litigation strategies may influence the ultimate outcome on the merits. The issue in the various cases is whether the streaming of broadcast television content violates copyright laws, despite the widespread appeal of the idea of being able to watch favored TV programs or sports events on a tablet or laptop, anywhere, without need of a cable provider or an Internet Service Provider (ISP) account. The concept of streaming seems rather irresistible: if the content is digital, why should it matter how or where the user experiences all those 1s and 0s?

Broadcasters have tried to use copyright laws and litigation in the federal courts to stifle Internet streaming, because broadcast television, of course, consists of content created and copyrighted by networks or other providers. Section 111 of the Copyright Act contains a compulsory license regime permitting cable systems to retransmit signals of copyrighted television programming to subscribers, if they pay royalties at government-regulated rates and abide by the statute's procedures.¹ Streaming suppliers like Aereo, Inc., however, pay no licensing or retransmission fees and have no license to broadcast television content. Broadcasters perceive Aereo and its competitors as an existential threat. It is prosaic to note how the Internet has transformed countless industries, breaking long-established business models and bringing powerful enterprises to their virtual knees. Broadcasters have no interest in serving as yet another example of this phenomenon. They have filed multiple lawsuits against two different streaming operators, on opposite coasts of the United States, and achieved conflicting results.

The outcome in the first litigation, in New York federal court, went against the broadcasters and in favor of the start-up venture streaming on-air television content within New York City. The decision in the second case, in Los Angeles federal court, resulted in an injunction against the new technology, limited geographically to the Ninth Circuit. The Ninth Circuit is now considering the appeal of that injunction. Still other suits have been filed in other forums where the streaming operators have begun to market services. The victorious firm in the first-filed New York case is now seeking to transfer to New York the later filed cases so that conflicting precedent from other courts does

not emerge and the Second Circuit ruling may predominate. The prospect of a circuit split, and eventual review by the Supreme Court of the United States, looms, unless Congress acts first to change the copyright statute in favor of one side or the other.

I. *Aereo*

In March 2012, some seventeen broadcast television networks sued Aereo, Inc. ("*Aereo*")² in the Southern District of New York, alleging copyright infringement based upon the latter's business of streaming broadcast television³ content over the Internet. Aereo was founded by Chet Kanojia and received a much-publicized capital infusion from IAC/InterActiveCorp., the assembly of internet properties led by Barry Diller.⁴ At the point in time that the *Aereo* action was filed, the Aereo streaming service was available only in New York City.

At the heart of Aereo's technology—and its *raison d'être*—are micro-antennas assigned to each individual subscriber of its service. These micro-antennas (each "the size of a dime") capture broadcast signals; the antennas are arrayed in "large antenna boards" located at the company's server farms.⁵ As each user logs into his or her account, the system assigns a single antenna to that user, either on a static or dynamic basis.⁶ The antenna retrieves the broadcast signal over the air, which the system then buffers, copies, and streams to the user's computer, tablet or mobile device.⁷ A DVR-like service permits the user to record a broadcast program for future viewing.⁸ Each recorded program is stored in a directory assigned only to the viewer choosing to record it.⁹

A. The *Betamax* and *Cablevision* Decisions

Two important copyright legal precedents, *Sony Corp. of Am. v. Universal City Studios, Inc.*,¹⁰ commonly referred to as the "*Betamax*" decision, and *Cartoon Network LP, LLLP v. CSC Holdings, Inc.* ("*Cablevision*"),¹¹ informed the creation of the Aereo technology. The *Betamax* decision rejected copyright owners' efforts to block distribution of Sony's early version of the VCR, holding that, where the Copyright Act is silent, it is generally for Congress, not the courts, to craft rules balancing new technologies against the limited monopoly granted copyright owners.¹² Thus, "time-shifting"—the act of recording a show for later viewing—was held not an infringement upon the copyright held by the network or broadcast enterprise responsible for creating that televised content.¹³

The issue in *Cablevision* was whether Cablevision's remote server digital video recorder (RS-DVR) infringed upon broadcasters' copyrights in broadcast television content.¹⁴ The broadcasters' argument in *Cablevision* referenced 17 U.S.C. § 106(4), which provides the definitions of "public performance" and "transmit," both of which come into play in addressing the broadcasters' claims against Cablevision:

To perform or display a work "publicly" means...to transmit or otherwise communicate a performance or display of the work... to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or different times.

* * *

To "transmit" a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.¹⁵

In particular, the focus in *Cablevision* was the "Transmit Clause" of the "public performance" definition: "[t]o perform or display a work 'publicly' means...to transmit or otherwise communicate a performance or display of the work ...to the public."¹⁶ The Second Circuit parsed that phrase in favor of the cable operator's technology, holding that the RS-DVR merely permitted the home viewer to record content for later viewing, using Cablevision's device instead of a VCR sitting atop a home television.¹⁷ In so doing, the *Cablevision* Court harkened back to the act of time-shifting permitted by the *Betamax* decision: "Because each RS-DVR playback transmission is made to a single subscriber using a single unique copy produced by that subscriber, ...such transmissions are not performances 'to the public,'" and therefore do not infringe upon the exclusive right of public performance granted to each copyright holder.¹⁸ The Supreme Court declined to review the Second Circuit's decision in *Cablevision*.¹⁹

B. *American Broadcasting Companies v. Aereo*

In *American Broadcasting Companies v. Aereo*, the networks again relied upon the "transmit clause" to attack the Aereo system.²⁰ The broadcasters claimed that, by distributing broadcast content without a license, Aereo was infringing upon the right to perform the copyrighted work "publicly."²¹ Relying on *Cablevision*,²² Aereo asserted that its system did not violate copyright law, arguing that users of the Aereo system were merely retrieving broadcast signal using an antenna provided by Aereo instead of one affixed to the user's home or apartment building, and then recording that signal for contemporaneous or later viewing.²³

In July 2012, Judge Nathan ruled on the broadcasters' application for a preliminary injunction, holding that, but for *Cablevision*, the plaintiffs would have likely prevailed, but, given the precedent of *Cablevision*, the Court was bound to deny the plaintiffs' request for an injunction.²⁴ The Court noted that the Aereo system created "a unique copy of each television program for each [user] who requests to watch that program, saved to a unique directory on Aereo's hard disks assigned to that user."²⁵ Further, each transmission that Aereo makes to a user is from the unique copy.²⁶ Finally, each transmission is made solely to the user who requested it, no other user is capable of accessing that copy, and no transmissions are made from that copy except to the user who requested it.²⁷ In other words, under *Cablevision*, each performance was not a public performance under the Copyright Act because the transmission itself was not public.

One precedent Aereo had to deal with was *WPIX, Inc. v. ivi, Inc.* ("WPIX").²⁸ In *WPIX*, the streaming operator made available copyrighted broadcast content to viewers, and did not contest the issue of "public performance." Instead, the operator sought to be classified as a cable system entitled to a compulsory license under the Copyright Act, 17 U.S.C. § 111.²⁹ At the time of the argument before Judge Nathan in *Aereo I*, only Judge Buchwald's ruling in *WPIX* had been issued, and that ruling denied the defendant's status as a cable system.³⁰

Judge Nathan accepted Aereo's argument that its system was different from that of *ivi, Inc.*, because Aereo's system permits each viewer to make a unique copy of the broadcast content and that copy is available only to that viewer.³¹ Judge Nathan held: "Such cases, however, have generally not considered the impact of the creation of unique copies—the focus of *Cablevision's* analysis—on whether internet streaming transmissions involve a public performance and thus did not address the question currently before the Court."³²

Noting that her analysis could have been halted after having addressed the critical merits issues, Judge Nathan's decision went on to address the irreparable harm and balance of hardships factors considered on a preliminary injunction application, in the event the appellate court were to reach a different outcome on liability.³³ Judge Nathan found merit to the broadcasters' argument that the outcome could destabilize the industry by impairing networks' ability to monetize their copyrighted content: "Aereo will damage Plaintiffs' ability to negotiate with advertisers by siphoning viewers from traditional distribution channels, in which viewership is measured by Nielsen ratings, into Aereo's service which is not measured by Nielsen, artificially lowering these ratings."³⁴

Following Judge Nathan's ruling, an immediate appeal to the Second Circuit followed, with expedited briefing and an oral argument in December 2012.³⁵ An abundance of amicus briefs were filed in advance of oral argument,

including submissions by professional sports leagues, major motion picture studios, law professors, music publishers, the former Register of Copyrights, and the Electronic Frontier Foundation, to name just a few.

On April 1, 2013, the Second Circuit issued its split decision, upholding Judge Nathan's decision and finding *Cablevision* the decisive precedent.³⁶ Judge Droney, writing for the majority, found the analogy to the *Cablevision* RS-DVR technology apt: "[J]ust as in *Cablevision*, the potential audience of each Aereo transmission is the single user who requested that a program be recorded."³⁷ Judge Denny Chin, who was the district judge whose decision was reversed in *Cablevision*, dissented, finding the Aereo system an artifice designed to avoid liability: "The [Aereo] system is a Rube Goldberg-like contrivance, over-engineered in an attempt to avoid the reach of the Copyright Act and to take advantage of a perceived loophole in the law."³⁸

Reaction from broadcasters to the Second Circuit's decision was immediate and harshly critical. A few days after the decision was issued, Rupert Murdoch, Chairman and CEO of 21st Century Fox and Executive Chairman of News Corp., threatened that, if the Aereo Second Circuit decision became the law of the land, the Fox Broadcasting Company would take drastic measures, such as removing its network content from broadcast spectrum.³⁹ In May 2013, Senator John McCain (R-Ariz.) responded to such threats, proposing legislation which, in rough terms, seeks to compel broadcasters to make available via broadcast the same content delivered to cable systems, so that streaming services such as Aereo could not be starved of broadcast signal to stream.⁴⁰ That legislation, which also would require cable operators to make channels available on an "a la carte" basis, recently gained a second sponsor, Richard Blumenthal (D-Conn.), but the bill is given small chance of passing given the seismic impact it would have on the industry.⁴¹

Following the Second Circuit's ruling, the broadcast industry promptly sought an *en banc* hearing aimed at ending *Cablevision* as a precedent in the Second Circuit or limiting the decision to its unique facts.⁴² Only a couple of cases are selected for *en banc* review annually. On July 16, 2013, the Second Circuit denied the networks' request for *en banc* hearing.⁴³ Judge Denny Chin, joined by Judge Richard C. Wesley, dissented in a lengthy opinion, frustrated with the Second Circuit's refusal to reconsider *Cablevision*.⁴⁴

In his dissent, Judge Chin presented several reasons for why an *en banc* hearing would be beneficial in the case of Aereo. Judge Chin argued that an *en banc* hearing was appropriate pursuant to Federal Rules of Appellate Procedure 35(a)(2) because the case "'involve[d] a question of exceptional importance[.]"⁴⁵ citing the impact the decision has already had on the entertainment industry and the imminent geographic expansion of Aereo's services and technology.⁴⁶ The dissent stressed the importance of uni-

formity of the court's decisions, citing to the *WPIX* decision in which the court held that the streaming of programming constituted a public performance and retransmissions were held *illegal* public performances under the Copyright Act.⁴⁷

At the heart of the dissent's argument was the contention that *Cablevision* was wrongly decided.⁴⁸ Judge Chin urged the Court to "reconsider *Cablevision*'s interpretation of the transmit clause because the decision conflicts with the text of the statute...."⁴⁹ Judge Chin emphasized the confusion between the terms "transmission" and "performance" as a result of *Cablevision*, noting that there was no reason to assume the terms have the same meanings, among other examples.⁵⁰ Ultimately, Judge Chin dissected the text of Copyright Act, arguing that *Cablevision* went wrong in its application of the Act, and urging an outcome of what should have been (or, what should be) done. The dissent recognized, however, that in the event *Cablevision* was found to be good law, it is fact specific, involving a defendant that was already paying retransmission fees, and should not apply to technology like that of Aereo.⁵¹ Judge Chin urged that a court's inquiry into a violation of the Copyright Act in this regard should *not* focus on how the services actually work.⁵² The focus, rather, should be whether "[t]he device or process transmit[s] a copyrighted performance or display to the public?"⁵³ According to Judge Chin, Aereo's service certainly does so.⁵⁴

II. Aereokiller

As Aereo was in progress in the Southern District of New York and the Second Circuit, litigation against an operator of a similar service was proceeding in Los Angeles. The case, *Fox Television Stations, Inc. v. BarryDriller Content Systems, PLC* ("*Aereokiller*"),⁵⁵ involved a streaming television service confusingly dubbed "*Aereokiller*" and offered by a confusingly named company, BarryDriller Content Systems, PLC, an entity backed by billionaire Alki David.⁵⁶ The Aereokiller product now goes by the name FilmOn. Aereokiller appeared functionally equivalent to Aereo's: "[s]ubscribers use an individual mini digital antenna and DVR to watch or record a free television broadcast."⁵⁷ Though substantially similar services, the Central District of California came up with a substantially different ruling.

Judge George H. Wu granted the preliminary injunction in favor of the plaintiffs.⁵⁸ Though the suit was brought in California, defendants relied heavily upon Second Circuit precedent, including *Cablevision* and Aereo.⁵⁹ The court ruled that these cases were not Ninth Circuit law and that Ninth Circuit law did not support rationale of each precedent.⁶⁰ The court also ruled that transmissions do not have to be "public" to infringe upon the right of public performance because the Aereokiller service sent out a signal which was received by the public at a place beyond which it originated. Thus, it could reasonably be held to be a public performance, thereby parting company with the analysis in *Cablevision* and Aereo.⁶¹ In other words, Judge Wu explained that there was another possible defini-

tion of “public performance” under the Transmit Clause of the Copyright Act, 17 U.S.C. § 106(4):

The definition...sets forth what constitutes a public performance of a copyrighted *work*, and says that transmitting a performance to the public is a public performance. It does not require a “performance” of a performance.

* * *

The statute provides an exclusive right to transmit a performance publicly, but does not by its express terms require that two members of the public receive the performance from the same transmission.⁶²

Ultimately, the court found that the violation of but one of the exclusive rights given by copyright—*e.g.*, the right of public performance—was sufficient for infringement, enabling plaintiffs to show a likelihood of success on the merits.⁶³

The court also found irreparable harm. The Aereo-killer service threatened to “damage [p]laintiffs’ ability to negotiate favorable retransmission consent agreements with cable, satellite and telecommunications providers.”⁶⁴ The service also competed with the development of plaintiffs’ internet distribution channels, like Hulu.com and iTunes.⁶⁵ The request for a preliminary injunction was granted based on the likelihood of success on the merits and the irreparable harm.⁶⁶ As of this writing, the *Aerokiller* defendants filed a notice of appeal and, shortly thereafter, further litigation in the trial court was stayed pending appeal.⁶⁷

As matters now stand, Aereo’s service, and that of FilmOn (formerly Aereo-killer), are available based upon the geographic location of the subscriber. Before creating an account, Aereo users must indicate their location by inputting a zip code. In the case of the Aereo system, once the user conveys this information, the system advises whether the Aereo service is available in the provided location. Aereo is currently available to users located in Boston, New York and Atlanta. FilmOn differs such that users are only prompted to provide geographic information once an account is created, and users may access network television shows, both live and recorded, on any computing device. FilmOn is also a free service whereas Aereo costs between \$8 and \$12 per month.

III. More Litigation Challenges

Following the Second Circuit decision and prior to the court’s ruling on the *en banc* hearing, Aereo announced plans to launch its service in Boston and Atlanta.⁶⁸ As Aereo’s expansion plans were announced, an executive with CBS, one of the networks participating in the suit against Aereo, remarked that his company would sue Aereo wherever it went in order to stop what it perceived as copyright infringement on a mass scale.⁶⁹

A. *Aereo, Inc. v. CBS Broadcasting, Inc.*

Aereo responded by suing CBS in the Southern District of New York (“*Aereo v. CBS*”), alleging forum shopping by the industry and arguing that *res judicata* and like principles prohibited the networks from seeking a better result in a different forum.⁷⁰ The *Aereo v. CBS* complaint alleges that CBS’s “follow-on suits would be an attempt to avoid or evade...the Second Circuit’s affirmance of the denial of the preliminary injunction motion, by seeking ‘do-overs’ in other courts.”⁷¹ Aereo thus seeks a declaratory judgment requesting the court rule that Aereo’s technology does not infringe on CBS’ copyright and that it does not violate the Copyright Act.⁷² Aereo believes that it has “reasonable apprehension” CBS will bring additional lawsuits against it upon expansion into different cities, based on the public statements by CBS executives.⁷³ Furthermore, Aereo contends that any disputes in relation to its technology should be decided by Judge Nathan, due to that court’s familiarity with the technology and copyrights at issue.⁷⁴

Presently pending in *Aereo v. CBS* is the defendants’ motion to dismiss, arguing that Aereo’s case is an “improper anticipatory filing” and Aereo cannot maintain “concurrent duplicative actions.”⁷⁵ In opposition to the motion to dismiss, Aereo argued that a declaratory judgment is appropriate because there is a “substantial dispute” between the parties, it is the most efficient method to resolve the dispute, and the action is not anticipatory.⁷⁶ As of this writing, there has been no ruling on the dismissal motion.

B. *Hearst and WCVB-TV v. Aereo*

Following Aereo’s expansion of its services to the Boston market, Hearst Stations Inc. (“Hearst”), an operator of Boston broadcast station WCVB-TV (“WCVB”), filed an action seeking a preliminary and permanent injunction prohibiting Aereo from providing programming work from its television station to Aereo users in Boston, Massachusetts.⁷⁷ Hearst’s allegations aren’t anything new for Aereo—the complaint alleges copyright infringement “arising out of Aereo’s unauthorized retransmission of WCVB’s over-the-air broadcast programming in Boston.”⁷⁸ Hearst cites to the *Aereo-killer* district court decision, where the court stated that the statute “does not ‘require that two members of the public receive the performance from the same transmission’”⁷⁹ to constitute a public performance, an attempt to refute Aereo’s position that its “transmissions are actually private in nature”⁸⁰ as a result of the individualized antenna transmissions. Further, Hearst contends that Aereo violates WCVB’s exclusive right to prepare derivative works whenever “it technological[ly] alters and compresses one of WCVB’s television programs from its original digital broadcast format into a different digital format that is suitable for the internet,”⁸¹ which can corrupt the quality of the original programming and is thus an unauthorized translation which is considered an illicit derivative work.⁸² Hearst cites several cases that have answered the question of whether a broadcast organization in Hearst’s position would suffer irreparable harm in

the positive, finding services like Aereo threaten the free broadcast industry as it currently stands.⁸³

Aereo has responded to the Hearst complaint with a motion to transfer venue to the Southern District of New York,⁸⁴ a court familiar with the controversy and convenient to Hearst, which is headquartered in New York.

IV. Conclusion

Aereo faces a litigation onslaught not unlike that which has confronted other new Internet services at their inception. It carefully constructed its system on the Second Circuit's *Cablevision* precedent. Thus far, Aereo has succeeded in each litigation challenge, but a competitor obviously beyond Aereo's control has created adverse precedent.⁸⁵ Aereo now faces the prospect of repeated lawsuits in other markets as it continues to expand. The outcome in the long run is far from certain. The fate of firms streaming broadcast television hinges on whether a circuit conflict emerges which winds up in the Supreme Court or whether Congress takes up the subject and alters the copyright laws to address this new phenomenon.

Endnotes

1. See 17 U.S.C. § 111(c) (2010).
2. *Am. Broad. Companies, Inc. v. Aereo, Inc.*, 874 F. Supp. 2d 373 (S.D.N.Y. 2012) [hereinafter *Aereo I*], *aff'd*, by *WNET, Thirteen, et al. v. Aereo, Inc.*, 712 F.3d 676, 682 (2d Cir. 2013), *reh'g denied*, Nos. 12-2786, 12-2807, 2013 U.S. App. LEXIS 14392 (2d Cir. July 16, 2013) [hereinafter *Aereo II*].
3. "Broadcast" television programming generally refers to programs "originally propagated by traditional over-the-air television signals for receipt by antenna[.]" *Cablevision Sys. Dev. Co. v. Motion Picture Ass'n of Am., Inc.*, 836 F.2d 599, 601 n.1 (D.C. Cir. 1988).
4. Brian Stetler, *New Service Will Stream Local TV Stations in New York*, N.Y. TIMES, Feb. 14, 2012, available at <http://mediadecoder.blogs.nytimes.com/2012/02/14/new-service-will-stream-local-tv-stations-in-new-york/?smid=tw-nytimstv&seid=auto&r=0>.
5. *Aereo II*, *supra* note 2, 712 F.3d at 682; see also *Aereo I*, *supra* note 2, 874 F. Supp. 2d at 379.
6. *Aereo II*, *supra* note 2, 712 F.3d at 682, 683 n.7.
7. *Id.* at 682.
8. *Id.*
9. *Id.* at 683.
10. 464 U.S. 417 (1984) [hereinafter *Betamax*].
11. 536 F.3d 121 (2d Cir. 2008) [hereinafter *Cablevision*].
12. *Supra* note 10, 464 U.S. at 429.
13. *Id.* at 493-98.
14. See generally 536 F.3d 121.
15. 17 U.S.C. § 101 (emphasis added).
16. *Supra* note 11, 536 F.3d at 134 (quoting 17 U.S.C. § 101) (emphasis added).
17. *Cablevision*, *supra* note 11, 536 F.3d at 131.
18. *Id.* at 139.
19. See *Cable News Network, Inc. v. CSC Holdings, Inc.*, 557 U.S. 946 (2009).
20. See generally *Aereo I*, *supra* note 2, 874 F. Supp. 2d 373.
21. *Id.* at 376.
22. *Id.* at 382-85.
23. *Id.* at 385.
24. *Id.* at 375.
25. *Aereo I*, *supra* note 2, 874 F. Supp. 2d at 386.
26. *Id.*
27. *Id.*
28. 765 F. Supp. 2d 594, 601 (S.D.N.Y. 2011), *aff'd*, 691 F.3d 275 (2d Cir. 2012), *cert. denied*, 133 S. Ct. 1585 (2013).
29. *Id.* at 599.
30. *Id.* at 600.
31. *Aereo I*, *supra* note 2, 874 F. Supp. 2d at 391.
32. *Id.* at 392.
33. *Id.* at 396-97.
34. *Id.* at 397.
35. See generally *Aereo II*, *supra* note 2, 712 F.3d 676.
36. *Id.* at 689-90.
37. *Id.* at 690.
38. *Id.* at 697 (Chin, J., dissenting).
39. Edmund Lee, Andy Fixmer, & Alex Sherman, *Murdoch-Diller Showdown Threatens to Make Fox Cable-Only*, BLOOMBERG BUSINESSWEEK, April 9, 2013, available at <http://www.businessweek.com/news/2013-04-09/murdoch-diller-showdown-threatens-to-make-fox-cable-only>.
40. See generally Television Consumer Freedom Act of 2013, S. 912, 113th Cong. § 2(1); § 3(a) (2013).
41. Karl Bode, *McCain Finds Co-Sponsor For His A La Carte TV Bill*, BROADBAND DSL REPORTS.COM, July 25, 2013, available at <http://www.dslreports.com/shownews/McCain-Finds-CoSponsor-For-His-A-La-Carte-TV-Bill-125129>.
42. *WNET v. Aereo, Inc.*, Nos. 12-2786, 12-2807 (2d Cir. filed Apr. 15, 2013) (petition for rehearing, en banc).
43. *WNET v. Aereo, Inc.*, 772 F.3d 500, 501 (2d Cir. Jul. 16, 2013).
44. See *id.*
45. *Id.* (quoting FED. R. APP. P. 35(a)(2)).
46. *Id.* at 501-03.
47. *Id.* at 503-04.
48. *Id.* at 506-11.
49. *WNET*, 772 F.3d at 507.
50. *Id.* at 507-08.
51. *Id.* at 511-12.
52. *Id.* at 512.
53. *Id.*
54. *Id.*
55. 915 F. Supp. 2d 1138 (C.D. Cal. 2012) [hereinafter *Aereokiller*].
56. Apparently, due to some prior history between Mr. David's venture and the Aereo system supported by Barry Diller, the former chose to give its streaming service a name which mimicked "Aereo" and to establish the company under a name which spoofed Mr. Diller himself. Mr. Diller sued for trademark infringement. See *Diller v. Barry Driller Content Systems, PLC*, No. 2:12-cv-07200 (C.D. Cal. filed Aug. 21, 2012). A preliminary injunction was entered on September 10, 2012 against the defendants' use of "Barry Driller" (*Diller*, No. 2:12-7200 ABC (Ex), 2012 U.S. Dist. LEXIS 133515 (C.D. Cal. Sept. 10, 2012), and a settlement announcement followed in May 2013 in which both the "Barry Driller" and "Aereokiller" names were renounced by the defendants. See Ross Todd, *Aereo Makes Peace with FilmOn Founder Amid Network Challenges*, THE AM LAW LITIGATION DAILY, May 21, 2013, <http://www.americanlawyer.com/digestTAL.jsp?id=1202601110368&slreturn=20130630164051>.
57. *Aereokiller*, *supra* note 55, 915 F. Supp. 2d at 1141 (quoting Opp'n., Docket No. 46 at 1).
58. *Aereokiller*, *supra* note 55, 915 F. Supp. 2d at 1149.
59. See *id.* at 1143-46.

60. *Id.* at 1143, 1146; *see also id.* at 1145 (“Cablevision expressly disagreed with *On Command Video Corp. v. Columbia Pictures Industries*, 777 F. Supp. 787 (N.D.Cal. 1991)[.]”).
61. *See Aereokiller*, *supra* note 55, 915 F. Supp. 2d at 1146.
62. *Id.* at 1144.
63. *Id.* at 1146.
64. *Id.* at 1147.
65. *Id.*
66. *Id.* at 1146, 1147.
67. *See Fox Television Stations, Inc. v. Aereokiller, LLC*, No. CV12-6921-GW(JCx), 2012 U.S. Dist. LEXIS 184209 (C.D. Cal. Dec. 27, 2012), *appeal docketed*, No. 13-55156 (9th Cir. Jan. 25, 2013).
68. Christopher Zara, *Aereo Internet TV Expands to Atlanta, Boston Despite Lawsuit from Major Broadcasters*, INTERNATIONAL BUSINESS TIMES, May 15, 2013, <http://www.ibtimes.com/aereo-internet-tv-expands-atlanta-boston-despite-lawsuit-major-broadcasters-1262531>.
69. Bernard Vaughan, *Aereo Seeks to Block CBS From Suing in Additional Jurisdictions*, REUTERS, May 6, 2013, <http://www.reuters.com/article/2013/05/06/aereo-court-idUSL2N0DN0O520130506>.
70. First Am. Compl. for Declaratory J. at 3, *Aereo, Inc. v. CBS Broadcasting Inc.* (S.D.N.Y. filed June 7, 2013) (No. 1:13-cv-03013-AJN) [hereinafter *Aereo, Inc.*].
71. Compl. at 3, *Aereo, Inc.*, *supra* note 70 (filed May 6, 2013).
72. *Id.* at 10.
73. *Id.*
74. *Id.* at 3. Aereo submitted a first amended complaint, redrafted to include additional CBS affiliates as defendants, and information on its plans to expand to several additional geographic locations by the end of 2013. *See supra* note 70.
75. Mem. of Law in Supp. of Def.’s Mot. to Dismiss the First Am. Compl. at 9, 11, *Aereo, Inc.*, *supra* note 70 (filed June 21, 2013).
76. Mem. of Law in Opp’n to Def.’s Mot. to Dismiss the First Am. Compl. at 5, 7-8, *Aereo, Inc.*, *supra* note 70 (filed on July 3, 2013).
77. Compl. at 22, *Hearst Stations Inc. v. Aereo, Inc.*, (D. Mass. filed July 9, 2013) (No. 1:13-cv-11649-NMG) [hereinafter *Hearst Stations*].
78. *Id.* at 1.
79. Mem. of Law in Supp. of Pl.’s Mot. for Prelim. Inj. at 10, *Hearst Stations*, *supra* note 77 (filed July 9, 2013) (quoting *Aereokiller*, *supra* note 55, 915 F. Supp. 2d at 1144-45).
80. Mem. of Law in Supp. of Pl.’s Mot. for Prelim. Inj. at 10, *Hearst Stations*, *supra* note 77 at 9.
81. *Id.* at 14.
82. *Id.* at 14-15.
83. *Id.* at 15-16 (citations omitted). As of this writing, defendants Aereo submitted a motion to transfer venue to the Southern District of New York as well as a motion to stay litigation pending the decision of the transfer motion. The actions are currently pending before the federal district court in Massachusetts. *See* Mot. to Transfer Venue by Def. Aereo, Inc., *Hearst Stations*, *supra* note 77 (filed July 16, 2013); *see also* Mot. to Stay re: Mot. to Transfer, *Hearst Stations*, *supra* note 77 (filed July 16, 2013).
84. Editor’s Note: On October 8, 2013, the district court denied both Aereo’s motion to transfer and Hearst’s motion for a preliminary injunction, *Hearst Stations, Inc. v. Aereo, Inc.*, No. 13-11649-NMG, 2013 U.S. Dist. LEXIS 146825 (D. Mass Oct. 8, 2013). Hearst has filed a notice of appeal.
85. Editor’s Note: FilmOn (formerly Aereokiller) has created further precedent adverse to Aereo in *Fox Television Stations, Inc. v. FilmOn XLLC*, No. 13-758 (RMC), 2013 U.S. Dist LEXIS 126543 (D.D.C. Sept. 5, 2013).

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Whether the Heightened Pleading Requirements of *Twombly* and *Iqbal* Apply to Pleading Affirmative Defenses

I. Introduction

In *Bell Atlantic Corp. v. Twombly*¹ and *Ashcroft v. Iqbal*,² the U.S. Supreme Court heightened the pleading requirements for stating a claim. Neither decision addressed whether those heightened requirements apply to stating affirmative defenses.

As described below, the courts are split on this issue. The determination depends on the language of Rule 8 of the Federal Rules of Civil Procedure and an evaluation of the principles and policies underlying pleading requirements, including notions of symmetry and asymmetry.

This report examines the language of Rule 8 and case law under Rule 12(f) governing motions to strike affirmative defenses. It then turns to the scope of the decisions in *Twombly* and *Iqbal* before reviewing the teachings of the cases that have addressed whether there should be a heightened pleading standard for affirmative defenses, including the district courts in the Second Circuit.

II. Rules 8(a)(2), 8(b) and 8(c)

Federal Rule of Civil Procedure 8(a) governs the pleading of claims for relief. Rule 8(a)(2), the rule at issue in *Iqbal* and *Twombly*, provides: “(a) Claim for Relief. A pleading that states a claim for relief must contain * * * (2) a short and plain statement of the claim showing that the pleader is entitled to relief....”

Federal Rule of Civil Procedure 8(b) governs the pleading of defenses and provides, in subparagraph (i), that, “[i]n responding to a pleading, a party must: (A) state in short and plain terms its defenses to each claim asserted against it[.]”³

Federal Rule of Civil Procedure 8(c) governs the pleading of affirmative defenses and provides, in subparagraph (i), that, “[i]n responding to a pleading, a party must affirmatively state any avoidance or affirmative defense,” including those listed in Rule 8(c).⁴

Both Rule 8(a)(2) and 8(b) require a “short and plain” recitation. However, only Rule 8(a)(2) requires a “showing that the pleader is entitled to relief.” Rules 8(b) and 8(c) contain no comparable requirement.

III. Rule 12(f) Motions to Strike Affirmative Defenses

Federal Rule of Civil Procedure 12(f) provides, in pertinent part, “[t]he court may strike from a pleading an insufficient defense....” A Rule 12(f) motion to strike an affirmative defense is generally disfavored.⁵

Prior to the Supreme Court decisions in *Twombly* and *Iqbal*, at least one federal Court of Appeals had held that “[a]n affirmative defense is subject to the same pleading requirements as is the complaint.”⁶ In *Woodfield*, the court held that a defendant “must plead an affirmative defense with enough specificity or factual particularity to give the plaintiff ‘fair notice’ of the defense that is being advanced.”⁷

Prior to *Twombly* and *Iqbal*, the Second Circuit held that the following standard applied to the pleading of an affirmative defense: “A motion to strike an affirmative defense...is not favored and will not be granted unless it appears to a certainty that plaintiffs would succeed despite any state of the facts which could be proved in support of the defense.”⁸ That pleading standard was virtually identical to the standard under *Conley v. Gibson* for pleading a claim (“a complaint should not be dismissed for failure to state a claim unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief”),⁹ which standard *Twombly* explicitly rejected.

IV. *Iqbal* and *Twombly*

In *Twombly* and *Iqbal*, the U.S. Supreme Court heightened the pleading requirements for stating a claim under Federal Rule of Civil Procedure 8(a). As the Court stated in *Iqbal*,

Under Federal Rule of Civil Procedure 8(a)(2), a pleading must contain a “short and plain statement of the claim showing that the pleader is entitled to relief.” As the Court held in *Twombly*, the pleading standard Rule 8 announces does not require “detailed factual allegations,” but it demands more than an unadorned, the-defendant-unlawfully-harmed-me accusation. A pleading that offers “labels and conclusions” or “a formulaic recitation of the elements of a cause of action will not do.” Nor does a complaint suffice if it tenders “naked assertion[s]” devoid of “further factual enhancement.”¹⁰

“To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to state a claim to relief that is plausible on its face.”¹¹ A claim is facially plausible “when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.”¹²

In *Twombly*, the Supreme Court stated, “Federal Rule of Civil Procedure 8(a)(2) requires only ‘a short and plain statement of the claim showing that the pleader is entitled to relief,’ in order to ‘give the defendant fair notice of what the...claim is and the grounds upon which it rests.’”¹³ But “a plaintiff’s obligation to provide the ‘grounds’ of his ‘entitle[ment] to relief’ requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do. Factual allegations must be enough to raise a right to relief above the speculative level....”¹⁴ The Court further stated,

Rule 8(a)(2) still requires a “showing,” rather than a blanket assertion, of entitlement to relief. Without some factual allegation in the complaint, it is hard to see how a claimant could satisfy the requirement of providing not only “fair notice” of the nature of the claim, but also “grounds” on which the claim rests.¹⁵

In *Twombly*, the Supreme Court also indicated its concern with potentially unnecessary expenditures of time and money in litigation: “[W]hen the allegations in a complaint, however true, could not raise a claim of entitlement to relief, ‘this basic deficiency should...be exposed at the point of minimum expenditure of time and money by the parties and the court.’”¹⁶ Neither *Iqbal* nor *Twombly* discussed the pleading of affirmative defenses.

V. Courts Are Divided on Whether the *Iqbal*/*Twombly* Heightened Pleading Standard Applies to Affirmative Defenses

Neither the Supreme Court nor any Court of Appeals has addressed the issue of whether the heightened pleading requirements of *Iqbal* and *Twombly* apply to pleading affirmative defenses. Federal district courts have divided on that issue.¹⁷ It appears that the majority of district court decisions hold that the heightened pleading requirements of *Iqbal* and *Twombly* apply to the pleading of affirmative defenses.¹⁸ However, a significant number of district court decisions hold to the contrary.¹⁹

VI. Reasons for Applying the *Iqbal*/*Twombly* Heightened Pleading Standard to Affirmative Defenses

Courts that have determined that the *Iqbal*/*Twombly* pleading requirements apply to the pleading of affirmative defenses have based their decision on one or more of the following rationales:

1. “[F]airness, common sense and litigation efficiency” require the application of the same pleading standard to complaints and to defenses, and, therefore, the pleading of a defense should provide more than merely the possibility that the defense may exist.²⁰

2. Application of the *Iqbal*/*Twombly* heightened pleading standard ensures that an affirmative defense supplies sufficient “information to explain the parameters of and [the] basis for [the] affirmative defense such that the adverse party can reasonably tailor discovery” to it.²¹
3. Applying the *Iqbal*/*Twombly* heightened pleading standard to affirmative defenses “serves a valid purpose in requiring at least some valid factual basis for pleading an affirmative defense and not adding it to the case simply upon some conjecture that it may somehow apply.”²²
4. Defenses that are nothing but boilerplate recitations or conclusory allegations clutter the docket and create the need for unnecessary or extended discovery.²³ In *HCRI TRS Acquirer, LLC v. Iwer*, the court made the same point and stressed that “the holdings of *Twombly* and *Iqbal* were designed to eliminate the potential high cost of discovery associated with meritless claims.”²⁴ “Boilerplate affirmative defenses that provide little or no factual support can have the same detrimental effect on the cost of litigation as poorly worded complaints.”²⁵
5. In pleading an affirmative defense, the defendant must comply with Rule 8’s requirement of a short and plain statement to give the opposing party fair notice of the defense and the grounds on which it rests.²⁶ The court in *Barnes* stated,

Rule 8’s requirements with respect to pleading defenses in an answer parallel the Rule’s requirements for pleading claims in a complaint. Compare (a)(2) “a short and plain statement of the claim showing that the pleader is entitled to relief,” with (b)(1) “state in short and plain terms its defenses to each claim asserted against it.”²⁷

In *Hayne*, however, the court acknowledged that the wording of Rule 8(a)(2) differs from that of Rules 8(b)(1)(A) and (c)(1), but found that the differences were not meaningful:

In both instances [pleading claims and affirmative defenses], the purpose of pleading requirements is to provide enough notice to the opposing party that indeed there is some plausible, factual basis for the assertion and not simply a suggestion of possibility that it may apply to the case. Moreover, Fed. R. Civ.

P. 8 is consistent in inferring that the pleading requirements for affirmative defenses are essentially the same as for claims for relief. Although Rule 8(c) for affirmative defenses does not contain the same language as 8(a)(2), requiring “a short and plain statement of the claim,” 8(b)(1) (A) nevertheless does require a defendant to “state in short and plain terms its defenses to each claim.” The sub-heading for Rule 8(b)(1), moreover, is “Defenses; In General.” Rule 8(c) (1) provides a helpful laundry list of commonly asserted affirmative defenses to emphasize that avoidances and affirmative defenses must indeed be pleaded to be preserved. Applying the standard for heightened pleading to affirmative defense serves a valid purpose in requiring at least some valid factual basis for pleading an affirmative defense and not adding it to the case simply upon some conjecture that it may somehow apply.²⁸

In *HCRI TRS Acquirer LLC*, the court also recognized that the Rule 8(a)(2) language applicable to claims differs from the Rule 8(b) and (c) language applicable to defenses and affirmative defenses, but concluded that the difference did not matter:

While the language in Civil Rule 8(a) differs from the language in Civil Rule (b) & (c), this difference is minimal and simply reflects the fact that an answer is a response to a complaint. Furthermore, the shared use of the “short and plain” language—the essence of the pleading standard—indicates the pleading requirements for affirmative defenses are the same as for claims of relief.²⁹

In *Francisco*, the court also noted the language difference between Rule 8(a)(2) and Rules 8(b) and (c) “suggesting requirements as to pleadings that may differ as well.”³⁰ Yet, the court concluded that the *Iqbal/Twombly* heightened pleading standard applies, stating that “*Twombly* and *Iqbal* require only minimal facts establishing plausibility, a standard this Court presumes most litigants would apply when conducting the abbreviated factual

investigation necessary before raising affirmative defenses in any event.”³¹

6. Application of the *Iqbal/Twombly* heightened pleading standard will not limit a defendant’s ability to mount a thorough defense because under Rule 15(a)(2) a defendant can seek to amend its answer to assert a viable defense that becomes apparent during discovery, and leave to amend is to be freely given absent a showing of prejudice or futility.³²
7. Lastly,

Form 30, appended to the Federal Rules of Civil Procedure pursuant to Rule 84,³³ underscores the notion that a defendant’s pleading of affirmative defenses should be subject to the same pleading standard as a plaintiff’s complaint because it includes factual assertions in the example it provides. The Form includes within it a suggestion that minimal facts be asserted before raising a statute of limitations defense.”³⁴

VII. Reasons for Not Applying the *Iqbal/Twombly* Heightened Pleading Requirements to Affirmative Defenses

Courts that have concluded that the *Iqbal/Twombly* heightened pleading requirements do not apply to pleading affirmative defenses have based their conclusion on one or more of the following rationales:

1. There are differences in wording between Rule 8(a)(2) and Rules 8(c) and 8(b), and *Iqbal* and *Twombly* only addressed the requirements of Rule 8(a)(2).³⁵ Rule 8(a)(2) requires a “statement...showing that the pleader is entitled to relief[.]” while Rules 8(b) and 8(c) do not contain comparable language requiring a party to show why a defense or affirmative defense is relevant or why the party is entitled to claim that defense. The Supreme Court in *Iqbal* and *Twombly* relied heavily on the language in Rule 8(a)(2) requiring a “showing” of entitlement to relief in concluding that the claimant must allege sufficient facts to “show that the claim is plausible.” The absence of language in Rules 8(b) and (c) comparable to the “showing...entitled to relief” language in Rule 8(a)(2) means that the pleading requirement under Rules 8(b) and (c) is not the same as that under Rule 8(a)(2).
2. It would be unfair to defendants to require them to provide detailed factual allegations when they have only 21 days to respond to the complaint,³⁶

whereas plaintiffs have a great deal more time to conduct an investigation prior to filing the complaint.³⁷ It should be noted that defendants typically obtain at least an additional 30 days to respond to a complaint, although that does not change the fact that plaintiffs almost always have more time to investigate and file a complaint.

3. Failure to plead an affirmative defense risks waiving that defense.³⁸
4. The purpose of Rule 8(c) is merely to provide the plaintiff with notice of an affirmative defense that may be raised at trial.³⁹
5. Federal Rule of Civil Procedure Form 30 serves as a form for presenting a Rule 12(b) defense and allows the simple statement that “[t]he complaint fails to state a claim upon which relief can be granted” in order to assert the defense of failure to state a claim.⁴⁰ As the court in *Lane* explained,

Forms appended to the rules bolster the Court’s analysis that rule 8(b) does not require defendants to provide factual allegations supporting defenses. Form 30 provides an example of an “Answer Presenting Defenses Under Rule 12(b).” Fed. R. Civ. P. Form 30. The section titled “Failure to State a Claim” states, in its entirety: “4. The complaint fails to state a claim upon which relief can be granted.” Fed. R. Civ. P. Form 30. Failure to state a claim is a defense under rule 12 and therefore falls under rule 8(b)’s requirements. Form 30 provides no factual allegations in support of the defense, and Form 30 is sufficient under the rules. See Fed. R. Civ. 84 (“The forms in the appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.”)⁴¹

6. Granting a motion to strike an affirmative defense under Rule 12(f) encourages parties to bog down litigations by filing and fighting motions to strike prematurely, which is contrary to the purpose of Rule 12(f) to “minimize delay, prejudice and confusion.”⁴²
7. A lessened standard for pleading affirmative defenses avoids the Court “having to rule on multiple motions to amend the answer during the course of discovery as the defendant obtains additional information that would support those

affirmative defenses...that defendant ha[d] no practical way of investigating before discovery.”⁴³

8. An additional reason for not applying the *Iqbal/Twombly* pleading standard to affirmative defenses relates to the scope of permissible discovery under Federal Rule of Civil Procedure 26(b)(1). Rule 26(b)(1) limits the scope of discovery to non-privileged matter “that is relevant to any party’s claim or defense,” unless otherwise limited by court order. If an affirmative defense cannot properly be pled until the party has sufficient facts to satisfy *Iqbal/Twombly*, and the facts needed to plead that affirmative defense are in the hands of the plaintiff, how can the defendant obtain them? Presumably any discovery request (including questions at a deposition) seeking such information will be subject to the objection that because the particular affirmative defense has not been raised, the requested discovery, including the deposition question, is improper. The argument that a defendant needs the discovery to determine if there is a basis for asserting the affirmative defense will be subject to the argument that defendant is engaged in an impermissible fishing expedition; that a defendant cannot use discovery to determine if an affirmative defense may exist.⁴⁴

In that *Catch-22* situation, a possibly meritorious affirmative defense will fall by the wayside because the defendant does not have sufficient facts allowing the defendant to allege the affirmative defense in its answer and those facts can only be learned through discovery from the plaintiff, which cannot be obtained because it relates to an affirmative defense which has not been alleged.

In *Bayer CropScience AG v. Dow AgroSciences LLC*,⁴⁵ the court listed nine reasons for not making the *Twombly/Iqbal* pleading standard applicable to affirmative defenses: (1) the textual differences between Rules 8(a) and 8(c); (2) “a diminished concern that plaintiffs receive notice in light of their ability to obtain more information during discovery;” (3) “the absence of a concern that the defense is ‘unlocking the doors of discovery;” (4) “the limited discovery costs, in relation to the costs imposed on a defendant, since it is unlikely that either side will pursue discovery on frivolous defenses;” (5) “unfairness of holding the defendant to the same pleading standard as the plaintiff, when the defendant has only a limited time to respond” to the complaint; (6) “the low likelihood that motions to strike affirmative defenses would expedite the litigation, given that leave to amend is routinely granted[;]” (7) “the risk that a defendant will waive a[n affirmative] defense...by failing to plead it at the early stage of the litigation;” (8) “the lack of detail in Form 30[;]” and (9) “the fact that a

heightened pleading requirement would produce more motions to strike, which are disfavored.”⁴⁶

VIII. District Court Decisions in the Second Circuit

District courts in the Second Circuit are split. Three district courts have concluded that the *Iqbal/Twombly* pleading standard applies to pleading affirmative defenses.⁴⁷ Judge Hall in the District of Connecticut has concluded that the *Iqbal/Twombly* pleading standard did not apply to the pleading of affirmative defenses.⁴⁸ In *Aspex Eyewear, Inc.*, the court based its decision on the following: *Twombly*’s plausibility requirement governs a motion to dismiss pursuant to Rule 12(b)(6); “[t]he standard on a motion to dismiss also applies to...a motion to strike an affirmative defense....”⁴⁹ In striking certain affirmative defenses, the court quoted from the Second Circuit’s decision in *Shechter v. Comptroller of New York*,⁵⁰ that “[a]ffirmative defenses which amount to nothing more than mere conclusions of law and are not warranted by any asserted facts have no efficacy.”⁵¹ The court further stated, “[m]ere conclusory assertions are not sufficient to give plaintiff notice of the counterclaims and defenses and, thus, do not meet Rule 8(a)’s pleading standards.”⁵²

In *EEOC v. Kelley Drye & Warren, LLP*, the court’s entire analysis consisted of the following:

Rule 8 of the Federal Rules of Civil Procedure requires that a party responding to a pleading “state in short and plain terms its defenses to each claim asserted against it.” Fed. R. Civ. P. 8(b)(1)(A). Although no Circuit Court of Appeals has yet spoken to the issue since the Supreme Court’s rulings in *Twombly* and *Iqbal* concerning pleading standards for claims, most lower courts that have considered the question of the standard applicable to pleading of defenses have held that the Rule 12(b)(6) standard, as elucidated in *Twombly* and *Iqbal*, governs the sufficiency of the pleading of affirmative defenses. See, e.g., *Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 531 F. Supp. 2d 620, 622-23 (S.D.N.Y. 2008) (recognizing that the equivalent standard governs a motion to dismiss pursuant to Rule 12(b)(6) and a motion to strike an affirmative defense pursuant to Rule 12(f)); *Tracy v. NVR, Inc.*, No. 04 Civ. 6541L, 2009 U.S. Dist. LEXIS 90778, 2009 WL 3153150, *7 (W.D.N.Y. Sept. 30, 2009) (same); *Burck v. Mars, Inc.*, 571 F. Supp. 2d 446, 456 (S.D.N.Y. 2008) (same). It has long been held that affirmative defenses that contain only “bald assertions” without supporting facts should

be stricken. *Shechter v. Comptroller of City of New York*, 79 F.3d 265, 270 (2d Cir. 1996).⁵³

In *Tracy*, *supra*, the court’s analysis was:

Affirmative defenses are...subject to the general pleading requirements of Rule 8(a) [and] 8(e)..., generally requiring a short and plain statement of the facts.

* * *

[A]ffirmative defenses that contain only “bald assertions” unaccompanied by supporting facts will be stricken. *Shechter v. Comptroller of City of New York*, 79 F.3d 265, 270 (2d Cir. 1996)... Indeed, the *Twombly* plausibility standard applies with equal force to a motion to strike an affirmative defense under Rule 12(f). *Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 531 F. Supp. 2d 620, 622 (S.D.N.Y. 2008).⁵⁴

In *Aros*, *supra*, Judge Hall reached her conclusion that the *Iqbal/Twombly* standard did not apply after first citing district court decisions going both ways on the issue.⁵⁵ The court then gave the following reasons for its decision. First, “the Supreme Court placed great reliance on the Rule 8(a)(2) requirement that a pleading must show that the pleader is entitled to relief. In contrast, Rule 8(c)(1), which governs the pleading of affirmative defenses, requires that ‘a party must affirmatively state any avoidance or affirmative defense.’”⁵⁶ Second, “the Supreme Court’s reasoning in both *Twombly* and *Iqbal* reveal[ed] the Court’s underlying concern: allowing unfounded cases to survive motions to dismiss and proceed to costly discovery.”⁵⁷ Third, because “plaintiff’s time to prepare pleadings is limited only by the statute of limitations, whereas defendant’s time is limited to twenty-one days, it makes sense that plaintiff’s claims would be required to meet a higher standard than defendant’s affirmative defenses.”⁵⁸ Fourth,

a motion to dismiss can resolve a case and avoid discovery entirely, whereas a motion to strike an affirmative defense can only prolong pre-discovery motion practice. Raising the standard for pleading affirmative defenses would encourage motions to strike, which are disfavored. Such a decision would undermine *Twombly* and *Iqbal*, both of which attempt to impose a heightened standard of pleading to limit wasteful expansions of litigation costs.⁵⁹

In *Whitserve, LLC*, *supra*, Judge Hall based her decision on her earlier decision in *Aros*.⁶⁰

IX. Conclusion

There are arguments on both sides of the issue as to whether the *Iqbal/Twombly* pleading standard should apply to affirmative defenses. Not only is there a split in the courts, but there is also a split among practitioners, including in this Section. All agree, however, that there should be one standard for pleading affirmative defenses, whether imposed through the rule-making process or by an interpretation by the Supreme Court.

March 21, 2012

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Gabriel Eric Estadella	Shawn Preston Ricardo
Shannon Fields	Stephen T. Roberts
Neil P. Forrest	Jorge Rodriguez
Michael Gerard	Dennis M. Rothman
Robert E. Glanville	Joshua A. Roy
Jeffrey E. Gross	William Robert Samuels
Richard E. Hahn	Daniel Adam Schlanger
Alan A. Harley	Karl Silverberg
Jeffrey J. Harradine	Doreen A. Simmons
Thomas P. Hartnett	Alexander R. Sussman
Peter C. Hein	David H. Wilder
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Endnotes

1. 550 U.S. 544 (2007) [hereinafter *Twombly*].
2. 556 U.S. 662 (2009) [hereinafter *Iqbal*].
3. FED. R. CIV. P. 8(b)(1)(A).
4. FED. R. CIV. P. 8(c)(1).
5. See, e.g., *EEOC v. Kelley Drye & Warren, LLP*, No. 10 Civ. 655 (LTS) (MHD), 2011 U.S. Dist. LEXIS 80667, at *6 (S.D.N.Y. July 25, 2011); *Bottoni v. Sallie Mae, Inc.*, No. C 10-03602LB, 2011 U.S. Dist. LEXIS 93634, at *3 (N.D. Cal. Aug. 22, 2011); *Adams v. JP Morgan Chase Bank, N.A.*, No. 3:11-cv-337-j-37MCR, 2011 U.S. Dist. LEXIS 79366, at *3 (M.D. Fla. July 21, 2011).
6. *Woodfield v. Bowman*, 193 F.3d 354, 362 (5th Cir. 1999).
7. *Id.*
8. *Salcer v. Envicon Equities Corp.*, 744 F.2d 935, 939 (2d Cir. 1984) (internal quotation marks omitted), *vacated on other grounds*, 478 U.S. 1015 (1986).
9. 355 U.S. 41, 45-46 (1957).
10. 556 U.S. at 677-78.
11. *Id.* at 678.
12. *Id.*
13. 550 U.S. at 555 (quoting *Conley*, 355 U.S. at 47).
14. *Id.* (citations omitted).
15. *Id.* at 556 n.3 (citing 5 Charles Alan Wright & Arthur R. Miller, *Federal Practice & Procedure* § 1202, at 94, 95 [hereinafter WRIGHT & MILLER] (“Rule 8(a) ‘contemplate[s] the statement of circumstances, occurrences, and events in support of the claim presented’ and does not authorize a pleader’s ‘bare averment that he wants relief and is entitled to it’”); see also *id.* at 557 (“[t]he need at the pleading stage for allegations plausibly suggesting (not merely consistent with) agreement reflects the threshold requirement of Rule 8(a)(2) that the ‘plain statement’ possess enough heft to ‘sho[w] that the pleader is entitled to relief’”).
16. *Id.* at 558; see also *id.* at 559.
17. See 5 WRIGHT & MILLER, *supra* note 15, at § 1274 (2011 Supp. at 290) (no position taken on whether the *Iqbal/Twombly* pleading standard should apply).
18. See, e.g., *Dion v. Fulton Friedman & Gullace LLP*, No. 11-2727 SC, 2012 U.S. Dist. LEXIS 5116, at *5 (N.D. Cal. Jan. 17, 2012) (“A majority of district courts have held that it does”); *Aguilar v. City Lights of China Restaurant, Inc.*, No. DKC 11-2416, 2011 U.S. Dist. LEXIS 122531, at *5-6 (D. Md. Oct. 24, 2011) (“the majority of district courts...have concluded that the *Twombly-Iqbal* approach does apply to affirmative defenses”); *Gessele v. Jack in the Box, Inc.*, No. 3:10-cv-960-ST, 2011 U.S. Dist. LEXIS 99419, at *4 (D. Or. Sept. 2, 2011) (“the majority of district courts across the country have extended *Twombly*’s plausibility standard to affirmative defenses”); *Dilmore v. Alion Science & Technology Corp.*, No. 11-72, 2011 U.S. Dist. LEXIS 74285, at *13-14 (W.D. Pa. July 11, 2011) (“the emerging majority of district courts apply the *Twombly/Iqbal* standards to at least affirmative defenses”); *Yates v. Perko’s Café*, No. C 11-00873 SI, C 11-1571, 2011 U.S. Dist. LEXIS 70059, at *9 (N.D. Cal. June 29, 2011) (“majority of district courts have applied the heightened pleading standard...to affirmative defenses”). A non-exhaustive list of cases holding that the heightened pleading requirements of *Iqbal* and *Twombly* apply to affirmative defenses is attached as Appendix A.
19. A non-exhaustive list of cases holding that the heightened pleading requirements of *Iqbal* and *Twombly* do not apply to affirmative defenses is attached as Appendix B.
20. *Gordon v. Ameriquist Mortgage Corp. (In re Fischer)*, No. 08-74070-MHM, Adv. Proc. No. 08-6521, 2011 Bankr. LEXIS 1586, at *2 (Bankr. N.D. Ga. Apr. 7, 2011); see also *Amerisure Ins. Co. v. Thomas*, No. 4:11CV642 JCH, 2011 U.S. Dist. LEXIS 79530, at *6 (E.D. Mo. July 21, 2011) (“[i]t makes little sense to hold defendants to a

- lower pleading standard than plaintiffs when, in both instances, the purpose of pleading requirements is to provide enough notice [] to the opposing party that indeed there is some plausible, factual basis for the assertion and not simply a suggestion of possibility that it may apply to the case”) (quoting *Lucas v. Jerusalem Café, LLC*, No. 4:10-cv-00582-DGK, 2011 U.S. Dist. LEXIS 39504, at *4 (W.D. Mo. Apr. 11, 2011); *Ulyssix Techs., Inc. v. Orbital Network Eng’g, Inc.*, No. ELH-10-02091, 2011 U.S. Dist. LEXIS 14018, at *44-45 (D. Md. Feb. 11, 2011); *Francisco v. Verizon South, Inc.*, No. 3:09-cv-737, 2010 U.S. Dist. LEXIS 77083, at *17 (E.D. Va. July 29, 2010) (“the same logic holds true for pleading affirmative defenses [as for pleading a complaint]—without alleging facts as part of the affirmative defenses, [a] [p]laintiff cannot prepare adequately to respond...”)) (internal quotation marks omitted); *Bradshaw v. Hilco Receivables, LLC*, 725 F. Supp. 2d 532, 536 (D. Md. 2010); *Palmer v. Oakland Farms, Inc.*, No. 5:10cv00029, 2010 U.S. Dist. LEXIS 63265, at *13 (W.D. Va. June 24, 2010) (“it neither makes sense nor is it fair to require a plaintiff to provide the defendant with enough notice that there is a plausible, factual basis for her claim under one pleading standard and then permit the defendant under another pleading standard simply to suggest that some defense may possibly apply in the case”).
21. *Francisco*, 2010 U.S. Dist. LEXIS 77083, at *24 (“[a]n even-handed standard as related to pleading ensures that the affirmative defenses supply enough information to explain the parameters of and basis for an affirmative defense such that the adverse party can reasonably tailor discovery”) (quoting *Burget v. Capital West Secs., Inc.*, No. CIV-09-1015-M, 2009 U.S. Dist. LEXIS 114304, at *5 (W.D. Okla. Dec. 8, 2009)).
 22. *Barnes v. AT&T Pension Benefit Plan-Non Bargained Program*, 718 F. Supp. 2d 1167, 1172 (N.D. Cal. 2010) (internal quotation marks omitted); *Hayne v. Green Ford Sales, Inc.*, 263 F.R.D. 647, 650 (D. Kan. 2009) (same).
 23. See, e.g., *Barnes*, 718 F. Supp. 2d at 1172-73; *Bradshaw*, 725 F. Supp. 2d at 536; *Palmer*, 2010 U.S. Dist. LEXIS 63265, at *14; *Burget*, 2009 U.S. Dist. LEXIS 114304, at *5-6.
 24. 708 F. Supp. 2d 687, 691 (N.D. Ohio 2010) (citing *Twombly*, 550 U.S. at 558-561; *Iqbal*, 129 S. Ct. at 1950).
 25. *HCRI TRS Acquirer, LLC*, 708 F. Supp. 2d at 691.
 26. See, e.g., *Barnes*, 718 F. Supp. 2d at 1171; *Hayne*, 263 F.R.D. at 649.
 27. *Barnes*, 718 F. Supp. 2d at 1172 (quoting FED. R. CIV. P. 8(a)(2), (b)(1)(A)); see also *Bradshaw*, 725 F. Supp. 2d at 536 (“[s]imilar language is used in Rule 8 to describe the requirements for pleading both claims in a complaint and defenses in an answer”).
 28. *Hayne*, 263 F.R.D. at 650.
 29. *HCRI TRS Acquirer LLC*, 708 F. Supp. 2d at 691; accord *Local 165, Laborers’ Int’l Union of N. Am. v. DEM/EX Group Inc.*, No. 09-1356, 2010 U.S. Dist. LEXIS 22707, at * 4 (C.D. Ill. Mar. 11, 2010) (“Defenses must be stated in ‘short and plain terms.’ The same description—‘short and plain’—is used to describe how a complaint must be filed[.]”).
 30. *Francisco*, 2010 U.S. Dist. LEXIS 77083, at *24.
 31. *Id.* at *25.
 32. See *Palmer*, 2010 U.S. Dist. LEXIS 63265, at *16; *Bradshaw*, 725 F. Supp. 2d at 536; *Hayne*, 263 F.R.D. at 651; *Burget*, 2009 U.S. Dist. LEXIS 114304, at *6; see also 6 WRIGHT & MILLER, *supra* note 15, at §§ 1471, 1473, 1484 and 1487 (relating to policy and practice regarding amendments).
 33. Rule 84 states: “The forms in the Appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.” Fed. R. Civ. P. 84.
 34. *Francisco*, 2010 U.S. Dist. LEXIS 77083, at *26; see FED. R. CIV. P. FORM 30, ¶ 6 (“The plaintiff’s claim is barred by the statute of limitations because it arose more than ___ years before this action was commenced.”).
 35. See, e.g., *Cottle v. Falcon Holdings Mgmt., LLC*, No. 2:11-CV-95-PRC, 2012 U.S. Dist. LEXIS 10478, at *8-9 (N.D. Ind. Jan. 30, 2012); *Enough for Everyone, Inc. v. Provo Craft & Novelty, Inc.*, No. SA CV 11-1161 DOC (MLGx), 2012 U.S. Dist. LEXIS 6745, at *4-6 (C.D. Cal. Jan. 20, 2012); *Aros v. United Rentals, Inc.*, No. 3:10-CV-73 (JCH), 2011 U.S. Dist. LEXIS 125870, at *8-9 (D. Conn. Oct. 31, 2011); *Adams v. JP Morgan Chase Bank, N.A.*, No. 3:11-cv-337-J-37MCR, 2011 U.S. Dist. LEXIS 79366, at *7-9 (M.D. Fla. July 21, 2011); *Dillmore v. Alion Sci. & Tech. Corp.*, No. 11-72, 2011 U.S. Dist. LEXIS 74285, at *14 (W.D. Pa. July 11, 2011); *Bowers v. Mortgage Elec. Regis. Sys.*, No. 10-4141-JTM-DJM, 2011 U.S. Dist. LEXIS 58537, at *11-13 (D. Kan. June 1, 2011); *Falley v. Friends Univ.*, 787 F. Supp. 2d 1255, 1257-58 (D. Kan. 2011); *EEOC v. Courtesy Bldg. Serv., Inc.*, No. 3:10-CV-1911-D, 2011 U.S. Dist. LEXIS 5938, at *7-8 (N.D. Tex. Jan. 21, 2011); *Lane v. Page*, 272 F.R.D. 581, 591-95 (D. N.M. 2011).
 36. See FED. R. CIV. P. 12(a)(1)(A).
 37. See, e.g., *Cottle*, 2012 U.S. Dist. LEXIS 10478, at *10; *Aros*, 2011 U.S. Dist. LEXIS 125870, at *9-10; *Adams*, 2011 U.S. Dist. LEXIS 79366, at *10; *Bowers*, 2011 U.S. Dist. LEXIS 58537, at *14; *Falley*, 787 F. Supp. 2d at 1258-59; *Lane*, 2011 U.S. Dist. LEXIS 11636, at 595, 596.
 38. See, e.g., *Falley*, 787 F. Supp. 2d at 1259; *Lane*, 272 F.R.D. at 596.
 39. See, e.g., *Adams*, 2011 U.S. Dist. LEXIS 79366, at *9; *Jackson v. City of Centreville*, 269 F.R.D. 661, 662 (N.D. Ala. 2010).
 40. See, e.g., *Bowers*, 2011 U.S. Dist. LEXIS 58537, at *14; *Falley*, 787 F. Supp. 2d at 1258; *Lane*, 272 F.R.D. at 594.
 41. *Lane*, 272 F.R.D. at 594.
 42. *Bowers*, 2011 U.S. Dist. LEXIS 58537, at *15 (internal quotation marks omitted); *Falley*, 787 F. Supp. 2d at 1259; see also *Aros*, *supra*, 2011 U.S. Dist. LEXIS 125870, at *10 (“would encourage motions to strike, which are disfavored”).
 43. *Leon v. Jacobson Transp. Co., Inc.*, 10 C 4939, 2010 U.S. Dist. LEXIS 123106, at *3 (N.D. Ill. Nov. 19, 2010).
 44. See *id.* (“The Court would also like to avoid the discovery disputes that would inevitably develop as a defendant seeks discovery related to an affirmative defense it had not stated in its answer”).
 45. No. 10-1045 RMB/JS, 2011 U.S. Dist. LEXIS 149636 (D. Del. Dec. 30, 2011).
 46. *Id.* at *3-4.
 47. See *EEOC v. Kelley Drye & Warren, LLP*, No. 10 Civ. 655 (LTS) (MHD), 2011 U.S. Dist. LEXIS 80667, at *4-6, 15 (S.D.N.Y. July 25, 2011) (Swain, J.); *Tracy v. NVR, Inc.*, No. 047-CV-6541L, 2009 U.S. Dist. LEXIS 90778, at *28-30 (W.D.N.Y. Sept. 30, 2009) (Payson, M.J.) (Report & Recommendation), *aff’d*, 667 F. Supp. 2d 244, 246 (W.D.N.Y. 2009) (Larimer, J.); *Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 531 F. Supp. 2d 620, 623 (S.D. N.Y. 2008) (Chin, J.).
 48. See *Whitserve, LLC v. GoDaddy.com, Inc.*, No. 3:11-CV-948 (JCH), 2011 U.S. Dist. LEXIS 132636, at *4-5 (D. Conn. Nov. 17, 2011); *Aros*, 2011 U.S. Dist. LEXIS 125870, at *4-11.
 49. 531 F. Supp. 2d at 622.
 50. 79 F.3d 265, 270 (2d Cir. 1996).
 51. 531 F. Supp. 2d at 623.
 52. *Id.*
 53. 2011 U.S. Dist. LEXIS 80667, at *4-6.
 54. 2009 U.S. Dist. LEXIS 90778, at *27-28 (citations to other districts omitted).
 55. 2011 U.S. Dist. LEXIS 125870, at *6-7.
 56. *Id.* at *8-9 (citations omitted).
 57. *Id.* at *9.
 58. *Id.* at *9-10.
 59. *Id.* at *10.
 60. See *Whitserve*, 2011 U.S. Dist. LEXIS 132636, at *5.

Appendix A

Cases applying *Iqbal/Twombly* heightened pleading standards to affirmative defenses

1. California

- (a) *Barnes v. AT&T Pension Benefits Plan-Nonbargained Program*, 718 F. Supp. 2d 1167 (N.D. Cal. 2010).
- (b) *Barnes & Noble, Inc. v. LSI Corp.*, 849 F. Supp. 2d 925 (N.D. Cal. 2012).
- (c) *Bottoni v. Sallie Mae, Inc.*, No. C 10-03602 LB, 2011 U.S. Dist. LEXIS 93634 (N.D. Cal. Aug. 22, 2011).
- (d) *CTF Dev., Inc. v. Penta Hospitality, LLC*, No. C 09-02429 WHA, 2009 U.S. Dist. LEXIS 99538 (N.D. Cal. Oct. 26, 2009).
- (e) *Dion v. Fulton Friedman & Gullace LLP*, No. 11-2727 SC, 2012 U.S. Dist. LEXIS 5116 (N.D. Cal. Jan. 17, 2012).
- (f) *J & J Sports Prods., Inc. v. Franco*, No. CV F 10-1704 LJO DLB, 2011 U.S. Dist. LEXIS 25642 (E.D. Cal. Mar. 1, 2011).
- (g) *Sykes v. Cigna Life Ins. Co.*, No. C 10-01126 CRB, 2010 U.S. Dist. LEXIS 94047 (N.D. Cal. Aug. 23, 2010).
- (h) *Yates v. Perko's Café*, No. C 11-00873 SI, C 11-1571, 2011 U.S. Dist. LEXIS 70059 (N.D. Cal. June 29, 2011).
- (b) *Champion Steel Corp. v. Midwest Strapping Prods., Inc.*, No. 10 C 50303, 2011 U.S. Dist. LEXIS 136022 (N.D. Ill. Nov. 28, 2011).
- (c) *Carretta v. May Trucking Co.*, No. 09-158-MJR, 2010 U.S. Dist. LEXIS 26302 (S.D. Ill. Mar. 11, 2010).
- (d) *Local 165, Laborers' Int'l Union of N. Am. v. DEM/EX Group Inc.*, No. 09-1356, 2010 U.S. Dist. LEXIS 22707 (C.D. Ill. Mar. 11, 2010).
- (e) *Massenberg v. A & R Sec. Servs., Inc.*, No. 10 C 7187, 2011 U.S. Dist. LEXIS 77451 (N.D. Ill. July 18, 2011).
- (f) *On Command Video Corp. v. Roti*, No. 09 C 3130, 2010 U.S. Dist. LEXIS 42715 (N.D. Ill. Apr. 30, 2010).
- (g) *OSF Healthcare Sys. v. Banno*, No. 08-CV-1096, 2010 U.S. Dist. LEXIS 7584 (C.D. Ill. Jan. 5, 2010).

6. Kansas

- (a) *Hayne v. Green Ford Sales, Inc.*, 263 F.R.D. 647 (D. Kan. 2009).

7. Maryland

- (a) *Aguilar v. City Lights of China Rest., Inc.*, No. DKC 11-2416, 2011 U.S. Dist. LEXIS 122531 (D. Md. Oct. 24, 2011).
- (b) *Barnett v. Uniformed Servs. Univ. of the Health Scis.*, No. DKC 10-2681, 2011 U.S. Dist. LEXIS 88240 (D. Md. Aug. 9, 2011).
- (c) *Barry v. EMC Mortgage*, No. DKC 10-3120, 2011 U.S. Dist. LEXIS 104265 (D. Md. Sept. 15, 2011).
- (d) *Bradshaw v. Hilco Receivables, LLC*, 725 F. Supp. 2d 532 (D. Md. 2010).
- (e) *Haley Paint Co. v. E.I. du Pont de Nemours & Co.*, No. RDB-10-0318, 2011 U.S. Dist. LEXIS 34925 (D. Md. Mar. 31, 2011).
- (f) *Haley Paint Co. v. E.I. du Pont de Nemours & Co.*, 279 F.R.D. 331 (D. Md. 2012).
- (g) *Topline Solutions, Inc. v. Sandler Sys., Inc.*, No. L-09-3102, 2010 U.S. Dist. LEXIS 76174 (D. Md. July 27, 2010).
- (h) *Ulyssix Techs, Inc. v. Orbital Network Eng'g, Inc.*, No. ELH-10-02091, 2011 U.S. Dist. LEXIS 14018 (D. Md. Feb. 11, 2011).

2. Colorado

- (a) *Sanders v. Cont'l Collection Agency, Ltd.*, No. 11-cv-00448-CMA-MJW, 2011 U.S. Dist. LEXIS 51560 (D. Colo. May 5, 2011).

3. Georgia

- (a) *Gordon v. Ameriquest Mortgage Corp. (In re Fischer)*, No. 08-74070-MHM, Adv. Proc. No. 08-6521, 2011 Bankr. LEXIS 1586 (Bankr. N.D. Ga. Apr. 7, 2011).

4. Florida

- (a) *Sciaccia v. Oceania Cruises, Inc.*, No. 11-24054-CIV-LENARD/O'SULLIVAN, 2012 U.S. Dist. LEXIS 19339 (S.D. Fla. Feb. 16, 2012).
- (b) *Holtzman v. B/E Aerospace, Inc.*, No. 07-80551-CIV-MARRA/JOHNSON, 2008 U.S. Dist. LEXIS 42630 (S.D. Fla. May 28, 2008).

5. Illinois

- (a) *Louisiana Firefighters' Ret. Sys. v. N. Trust Invs., N.A.*, No. 09 C 7203, 2012 U.S. Dist. LEXIS 22693 (N.D. Ill. Feb. 23, 2012).

8. Missouri

- (a) *Amerisure Ins. Co. v. Thomas*, No. 4:11CV642 JCH, 2011 U.S. Dist. LEXIS 79530 (E.D. Mo. July 21, 2011).
- (b) *Lucas v. Jerusalem Café, LLC*, No. 4:10-cv-00582-DGK, 2011 U.S. Dist. LEXIS 39504 (W.D. Mo. Apr. 11, 2011).
- (c) *Openmethods, LLC v. Mediu, LLC*, No. 10-761-CV-W-FJG, 2011 U.S. Dist. LEXIS 60980 (W.D. Mo. June 8, 2011).
- (d) *Philadelphia Indem. Ins. Co. v. Fearless Fighters Paint Ball Games, LLC*, No. 4:11-CV-1236-JAR, 2012 U.S. Dist. LEXIS 7316 (E.D. Mo. Jan. 23, 2012).
- (e) *The Sch. of the Ozarks, Inc. v. Greatest Generations Found., Inc.*, No. 10-3499-CV-S-ODS, 2011 U.S. Dist. LEXIS 37850 (W.D. Mo. Apr. 7, 2011).
- (f) *Semco, LLC v. Huntair, Inc.*, No. 11-4026-CV-C-FJG, 2011 U.S. Dist. LEXIS 82795 (W.D. Mo. July 28, 2011).
- (g) *Shaw v. Prudential Ins. Co. of Am.*, No. 10-03355-CV-W-DGK, 2011 U.S. Dist. LEXIS 29203 (W.D. Mo. Mar. 21, 2011).
- (h) *Smithville 169 v. Citizens Bank & Trust Co.*, No. 4:11-CV-0872-DGK, 2012 U.S. Dist. LEXIS 512 (W.D. Mo. Jan. 4, 2012).

9. New York

- (a) *Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 531 F. Supp. 2d 620 (S.D.N.Y. 2008).
- (b) *EEOC v. Kelly Drye & Warren, LLP*, No. 10 Civ. 655 (LTS)(MHD), 2011 U.S. Dist. LEXIS 80667 (S.D.N.Y. July 25, 2011).
- (c) *Tracy v. NVR, Inc.*, No. 04-CV-6541L, 2009 U.S. Dist. LEXIS 90778 (W.D. N.Y. Sept. 30, 2009) (Report & Recommendation), *aff'd without discussion on the basis of the Report & Recommendation*, 667 F. Supp. 2d 244 (W.D.N.Y. 2009).

10. Ohio

- (a) *HCRI TRS Acquirer, LLC v. Iwer*, 708 F. Supp. 2d 687 (N.D. Ohio 2010).

- (b) *Microsoft Corp. v. Lutian*, No. 1:10 CV 1373, 2011 U.S. Dist. LEXIS 109918 (N.D. Ohio Sept. 27, 2011).

11. Oklahoma

- (a) *Burget v. Capital West Secs. Inc.*, No. CIV-09-1015-M, 2009 U.S. Dist. LEXIS 114304 (W.D. Okla. Dec. 8, 2009).
- (b) *Smith v. Mustang, Indep. Sch. Dist. No. I-69*, No. CIV-11-1146-M, 2012 U.S. Dist. LEXIS 176 (W.D. Okla. Jan. 3, 2012).

12. Oregon

- (a) *Gessele v. Jack in the Box, Inc.*, NO. 3:10-cv-960-ST, 2011 U.S. Dist. LEXIS 99419 (D. Or. Sept. 2, 2011).
- (b) *Peterson v. Acumed, LLC*, No. CV-10-586-HU, 2010 U.S. Dist. LEXIS 132723 (D. Or. Dec. 14, 2010).

13. Pennsylvania

- (a) *Dilmore v. Alion Sci. & Tech. Corp.*, No. 11-72, 2011 U.S. Dist. LEXIS 74285 (W.D. Pa. July 11, 2011).

14. Texas

- (a) *Burns v. Dodeka, LLC*, No. 4:09-CV-19-BJ, 2010 U.S. Dist. LEXIS 48525 (N.D. Tex. May 11, 2010).
- (b) *U.S.A. v. Brink*, No. C-10-243, 2011 U.S. Dist. LEXIS 21816 (S.D. Tex. Mar. 4, 2011).

15. Virginia

- (a) *Francisco v. Verizon South, Inc.*, No. 3:09cv737, 2010 U.S. Dist. LEXIS 77083 (E.D. Va. July 29, 2010).
- (b) *Palmer v. Oakland Farms, Inc.*, No. 5:10cv00029, 2010 U.S. Dist. LEXIS 63265 (W.D. Va. June 24, 2010).

16. Wisconsin

- (a) *S.E.C. v. Sachdeva*, No. 10-C-747, 2011 U.S. Dist. LEXIS 32544 (E.D. Wis. Mar. 16, 2011).

Appendix B

Cases holding that the *Iqbal/Twombly* heightened pleading standards do not apply to affirmative defenses

1. Alabama

- (a) *Jackson v. City of Centreville*, 269 F.R.D. 661 (N.D. Ala. 2010).
- (b) *EEOC v. Southern Haulers, LLC*, No. 11-00564-N, 2012 U.S. Dist. LEXIS 34202 (S.D. Ala. Mar. 14, 2012).

2. California

- (a) *Kohler v. Island Rests., LP*, No. 11-CV-2260 W (JMA), 2012 U.S. Dist. LEXIS 24224 (S.D. Cal. Feb. 16, 2012).
- (b) *Baroness Small Estates, Inc. v. BJ's Rests., Inc.*, No. SACV 11-00468-JST (Ex), 2011 U.S. Dist. LEXIS 86917 (C.D. Cal. Aug. 5, 2011).
- (c) *J & J Sports Prods., Inc. v. Scace*, No. 10cv2496-WQH-CAB, 2011 U.S. Dist. LEXIS 60270 (S.D. Cal. May 27, 2011).
- (d) *Enough For Everyone, Inc. v. Provo Craft & Novelty, Inc.*, No. SA CV 11-1161 DOC (MLGx), 2012 U.S. Dist. LEXIS 6745 (C.D. Cal. Jan. 20, 2012).
- (e) *Meas v. CVS Pharmacy, Inc.*, No. 11cv0823 JM(JMA), 2011 U.S. Dist. LEXIS 76276 (S.D. Cal. July 14, 2011).
- (f) *Vistan Corp. v. Fadei USA, Inc.*, No. C-10-4862 JCS, 2011 U.S. Dist. LEXIS 47099 (N.D. Cal. Apr. 25, 2011).

3. Colorado

- (a) *Michaud v. Greenberg & Sada, P.C.*, No. 11-cv-01015-RPM-MEH, 2011 U.S. Dist. LEXIS 77521 (D. Colo. July 18, 2011).
- (b) *Holdbrook v. Saia Motor Freight Line, LLC*, No. 09-cv-02870-LTB-BNB, 2010 U.S. Dist. LEXIS 29377 (D. Colo. Mar. 8, 2010).

4. Connecticut

- (a) *Aros v. United Rentals, Inc.*, No. 3:10-CV-73 (JCH), 2011 U.S. Dist. LEXIS 125870 (D. Conn. Oct. 31, 2011).

5. Delaware

- (a) *Bayer CropScience AG v. Dow AgroSciences LLC*, No. 10-1045 RMB/JS, 2011 U.S. Dist. LEXIS 149636 (D. Del. Dec. 30, 2011).

6. Florida

- (a) *Adams v. JP Morgan Chase Bank, N.A.*, No. 3:11-cv-337-J-37MCR, 2011 U.S. Dist. LEXIS 79366 (M.D. Fla. July 21, 2011).

- (b) *Ioselev v. Schilling*, No. 3:10-cv-1091-J-34MCR, 2011 U.S. Dist. LEXIS 134656 (M.D. Fla. Nov. 22, 2011).

7. Georgia

- (a) *Floyd v. SunTrust Banks, Inc.*, No. 1:10-CV-2620-RWS, 2011 U.S. Dist. LEXIS 65190 (N.D. Ga. June 13, 2011).

8. Illinois

- (a) *Leon v. Jacobson Transp. Co., Inc.*, No. 10 C 4939, 2010 U.S. Dist. LEXIS 123106 (N.D. Ill. Nov. 19, 2010).

9. Indiana

- (a) *Cottle v. Falcon Holdings Mgmt., LLC*, No. 2:11-CV-95-PRC, 2012 U.S. Dist. LEXIS 10478 (N.D. Ind. Jan. 30, 2012).
- (b) *J & J Sports Prods., Inc. v. Munoz*, No. 1:10-cv-1653-WTL-TAB, 2011 U.S. Dist. LEXIS 77373 (S.D. Ind. July 15, 2011).

10. Kansas

- (a) *Bennett v. Sprint Nextel Corp.*, No. 09-2122-EFM, 2011 U.S. Dist. LEXIS 112116 (D. Kan. Sept. 29, 2011).
- (b) *Unicredit Bank AG, New York Branch v. Bucheli*, No. 10-2436-JWL, 2011 U.S. Dist. LEXIS 103104 (D. Kan. Sept. 12, 2011).
- (c) *Bowers v. Mortgage Elec. Regis. Sys.*, No. 10-4141-JTM-DJM, 2011 U.S. Dist. LEXIS 58537 (D. Kan. June 1, 2011).
- (d) *Falley v. Friends Univ.*, 787 F. Supp. 2d 1255 (D. Kan. 2011).

11. Kentucky

- (a) *Holley Performance Prods., Inc. v. Quick Fuel Techno., Inc.*, No. 1:07-CV-00185-JHM, 2011 U.S. Dist. LEXIS 81710 (W.D. Ky. July 26, 2011).
- (b) *Paducah River Painting, Inc. v. McNational Inc.*, No. 5:11-CV-00135-R, 2011 U.S. Dist. LEXIS 131291 (W.D. Ky. Nov. 14, 2011).

12. Michigan

- (a) *Jeeper's of Auburn, Inc. v. KWJB Enter., L.L.C.*, No. 10-13682, 2011 U.S. Dist. LEXIS 53492 (E.D. Mich. Mar. 16, 2011).
- (b) *Swift v. City of Detroit*, No. 10-12911, 2012 U.S. Dist. LEXIS 1600 (E.D. Mich. Jan. 6, 2012).

(c) *Federal-Mogul World Wide, Inc. v. Mahle GMBH*, No. 11-10675, 2012 U.S. Dist. LEXIS 27280 (E.D. Mich. Mar. 1, 2012).

13. Minnesota

(a) *Schlieff v. Nu-Source, Inc.*, No. 10-447 (DWF/SER), 2011 U.S. Dist. LEXIS 44446 (D. Minn. Apr. 25, 2011).

(b) *U.S. Bank Nat'l Ass'n v. Educ. Loans Inc.*, No. 11-1445 (RHK/JJG), 2011 U.S. Dist. LEXIS 131453 (D. Minn. Nov. 14, 2011).

14. Missouri

(a) *Willis v. Quad Lakes Enters., L.L.C.*, No. 4:11-CV-00096-SWH, 2011 U.S. Dist. LEXIS 100536 (W.D. Mo. Sept. 7, 2011).

15. Nebraska

(a) *Bank of Beaver City v. Southwest Feeders, L.L.C.*, No. 4:10CV3209, 2011 U.S. Dist. LEXIS 114724 (D. Neb. Oct. 4, 2011).

16. Nevada

(a) *Ferring B.V. v. Watson Labs., Inc.-(Fl)*, No. 3:11-cv-00481-RCJ-VPC, 3:11-cv-00485-RCJ-VPC, 3:11-cv-00853-RCJ-VPC, 3:11-cv-00854-RCJ-VPC, 2012 U.S. Dist. LEXIS 23616 (D. Nev. Feb. 24, 2012).

17. New Hampshire

(a) *InvestmentSignals, LLC v. Irrisoft, Inc.*, No. 10-cv-600-SM, 2011 U.S. Dist. LEXIS 85646 (D. N.H. Aug. 1, 2011).

18. New Jersey

(a) *Fed. Trade Comm'n v. Hope Now Modifications, LLC*, No. 09-1204 (JBS/JS), 2011 U.S. Dist. LEXIS 24657 (D. N.J. Mar. 10, 2011).

(b) *Katiroll Co., Inc. v. Kati Roll & Platters, Inc.*, No. 10-3620 (GEB), 2011 U.S. Dist. LEXIS 61281 (D. N.J. June 8, 2011).

19. New Mexico

(a) *Lane v. Page*, No. CIV 06-1071 JB/ACT, 2011 U.S. Dist. LEXIS 11636 (D. N.M. Jan. 14, 2011).

20. Ohio

(a) *Chiancone v. City of Akron*, No. 5:11CV337, 2011 U.S. Dist. LEXIS 108444 (N.D. Ohio Sept. 23, 2011).

(b) *Powers v. Fifth Third Mortgage Co.*, No. 1:09-cv-2059, 2011 U.S. Dist. LEXIS 85839 (N.D. Ohio July 18, 2011).

21. Oregon

(a) *Trustmark Ins. Co. v. C&K Mkt., Inc.*, No. 10-465-MO, 2011 U.S. Dist. LEXIS 13448 (D. Or. Feb. 10, 2011).

22. Pennsylvania

(a) *Dilmore v. Alion Sci. & Tech. Corp.*, No. 11-72, 2011 U.S. Dist. LEXIS 74285 (W.D. Pa. July 11, 2011).

(b) *Tyco Fire Prods. LP v. Victaulic Co.*, No. 10-4645, 2011 U.S. Dist. LEXIS 40012 (E.D. Pa. Apr. 13, 2011).

23. Tennessee

(a) *Ailey v. Midland Funding, LLC*, No. 3:11-CV-77, 2011 U.S. Dist. LEXIS 81028 (E.D. Tenn. July 25, 2011).

(b) *Sewell v. Allied Interstate, Inc.*, No. 3:10-CV-113, 2011 U.S. Dist. LEXIS 983 (E.D. Tenn. Jan. 5, 2011).

(c) *Sony/ATV Music Publ'g LLC v. D.J. Miller Music Distribs., Inc.*, No. 3:09-cv-01098, 2011 U.S. Dist. LEXIS 116158 (M.D. Tenn. Oct. 7, 2011).

24. Texas

(a) *EEOC v. Courtesy Bldg. Servs., Inc.*, No. 3:10-CV-1911-D, 2011 U.S. Dist. LEXIS 5938 (N.D. Tex. Jan. 21, 2011).

(b) *SEC v. Cuban*, No. 3:08-CV-2050-D, 2011 U.S. Dist. LEXIS 77549 (N.D. Tex. July 18, 2011).

25. Virginia

(a) *Lopez v. Asmar's Mediterranean Food, Inc.*, No. 1:10cv1218 (JCC), 2011 U.S. Dist. LEXIS 2265 (E.D. Va. Jan. 10, 2011).

(b) *Odyssey Imaging, LLC v. Cardiology Assocs. of Johnston, LLC*, 752 F. Supp. 2d 721 (W.D. Va. 2010).

26. Washington

(a) *In Re Washington Mut., Inc. Secs., Derivative & ERISA Litig.*, No. 08-md-1919 MJP, 2011 U.S. Dist. LEXIS 33531 (W.D. Wash. Mar. 25, 2011).

When Blue Turns to Grey: Grand Jury Subpoenas for Foreign Documents Produced in Civil Litigation

I. Introduction: Criminal v. Civil Litigation in Tension

Price fixing in the liquid crystal display (“LCD”) industry has been the subject of parallel federal criminal and civil antitrust proceedings for several years. Besides criminal guilty pleas and civil settlements, there have been both criminal and civil cases tried to jury verdicts.¹

The pendency of parallel criminal and civil proceedings can present tensions, which frequently result in litigation calling on the courts to accommodate both criminal and civil justice interests. In the LCD proceedings, at least one such litigation issue is particularly noteworthy.

Briefly, many of the companies involved in the LCD proceedings were located outside the United States.² When grand jury subpoenas *duces tecum* issued in the criminal investigation, the Department of Justice (“DOJ”) stated, in essence, that documents located abroad were not required to be produced unless and until the DOJ advised the recipient otherwise.³ Subpoenaed companies therefore were not required to include such “foreign” documents in their productions to the grand jury.

Meanwhile, on the civil side, after a discovery stay to give the criminal investigation an opportunity to proceed, Fed. R. Civ. P. 34 document production went forward. Defendants in the civil litigation produced foreign documents to the civil plaintiffs, and sets of the foreign documents came into the possession of law firms located in the United States. As is typical, the defendants made production under the terms of a protective order, which restricted the documents’ use and disclosure.

Federal grand jury subpoenas then were issued to the U.S. law firms to produce in the criminal investigation the foreign documents produced in the parallel civil case. Because the civil protective order did not authorize disclosure to the grand jury, subpoenaed law firms moved to quash the grand jury subpoenas. Thus, the question arose which court process prevailed: the criminal grand jury subpoena or the civil protective order? The District Court for the Northern District of California, the venue of both the criminal and civil proceedings, ruled in favor of the law firms. The Ninth Circuit, however, reversed, up-holding the grand jury subpoenas. The Supreme Court declined review.

In this report, we discuss the issues that the LCD proceedings present. We first provide an overview of the case law on this subject. Then, we discuss the issues raised from three perspectives: (1) the defense; (2) the DOJ; and (3) the private plaintiffs. As our report reflects, there is limited case law at this point—indeed, only two Courts

of Appeal rulings involve “foreign” documents such as those in the LCD matter. At the same time, the clash here raises weighty policy issues that affect both criminal and civil antitrust enforcement. The LCD scenario, while relatively uncommon, is nevertheless likely to recur. Sooner or later, the Supreme Court can be expected to weigh in.

II. Overview of the Case Law

A. The Government’s Reach in Criminal Cases

Although a “federal grand jury enjoys sweeping powers to investigate allegations of criminal behavior[,]”⁴ its authority is not unlimited.⁵ Significantly, the grand jury is limited geographically: the government may serve a subpoena abroad for testimony or documents only if the party to be served is a “national or resident of the United States who is in a foreign country[.]”⁶

Moreover, even where a foreign national, such as a company, has a U.S. location—and thus can be properly served a federal grand jury subpoena—the DOJ has a long-standing policy of refraining from enforcing the subpoena for documents located abroad. Having adopted this policy, primarily in deference to comity concerns, the DOJ’s normal practice in this situation is to request production of foreign documents on a voluntary basis.⁷ If the DOJ does not secure voluntary production in this way, the most common other methods to secure documents from abroad are: (1) mutual legal assistance treaties (MLATs’),⁸ (2) letters rogatory,⁹ and (3) informal diplomatic requests. These procedures, however, can be “onerous, time-consuming, and uncertain.”¹⁰

Accordingly, to obtain documents that originated abroad, the government has, in some instances, served grand jury subpoenas in the United States on civil litigants or their counsel seeking the fruits of their discovery efforts. Indeed, when, in the LCD case, the Ninth Circuit considered whether to enforce a subpoena for sealed documents that had originated in a foreign country, the government conceded that it would not have been able to obtain the documents but for the fact that they were brought to the United States for the purpose of civil discovery.¹¹

This government opportunity to “piggy-back” arises because the scope of civil discovery is, for practical purposes, broader than that of criminal discovery. In civil litigation, where the court has jurisdiction over a party or non-party, its authority to compel production of documents turns on whether the materials are in the litigant’s “possession, custody, or control[.]”¹² Significantly, “[t]he location of the documents, whether within the territorial jurisdiction of the court or not, is irrelevant.”¹³ Typically, however, parties make document production in civil cases

under a protective order, which bars further disclosure or use beyond the needs of the civil case itself. Thus, when the government serves a grand jury subpoena to obtain documents produced in a civil litigation, the court may be called on to decide whether to enforce the subpoena or to recognize the protective order constraints.

This issue, on which the federal Courts of Appeals have expressed differing views, is particularly thorny when the civil discovery consists of “foreign documents”—materials ordinarily located abroad, which have come to be found in the United States only because of discovery in the civil litigation. Two Courts of Appeals—the Fourth and the Ninth—have considered whether to enforce a grand jury subpoena for foreign documents. Both Courts applied what they have termed the “*per se* rule” favoring the subpoena over the protective order.¹⁴ Other Courts of Appeals have considered the issue with respect only to documents that originated in the United States and thereafter were produced in the civil litigation. Similar to the Fourth and Ninth Circuits, the Eleventh Circuit has adopted a “*per se* rule” in favor of the subpoena. The First and Third Circuits have adopted a presumption in favor of the subpoena. And the Second Circuit has adopted a presumption in favor of the protective order. We summarize these rulings below.

B. The *Per Se* Rule Regarding Foreign Documents: The Fourth and Ninth Circuits

The Fourth and Ninth Circuits’ *per se* rule, “favoring the ‘enforcement of a grand jury subpoena despite the existence of an otherwise valid protective order[.]’”¹⁵ has its origin in rulings involving civil discovery materials that originated in the United States. The Fourth Circuit first addressed the matter in 1988 in *In re Grand Jury Subpoena (Cmty. Sav. & Loan)*.¹⁶ There, the plaintiffs moved to quash a grand jury subpoena seeking deposition transcripts, which was served on their attorney in the related civil matter. The district court denied the motion, and the plaintiffs appealed.¹⁷

The Fourth Circuit weighed the “extent to which protective orders insure the efficient resolution of civil disputes against the interest of obtaining all relevant evidence during a grand jury’s criminal investigation.”¹⁸ Specifically, the Court considered “[t]he sweeping power of the grand jury[.]” the deponents’ ability to assert their Fifth Amendment privilege at the depositions, and that protective orders “aid the civil courts in facilitating resolution of private disputes.”¹⁹ The Fourth Circuit struck a balance “in favor of the grand jury’s need to gather evidence” and affirmed the district court’s denial of the motion to quash.²⁰ In 1995, the Ninth Circuit followed the Fourth Circuit’s reasoning in *In re Grand Jury Subpoena Served on Meserve, Mumper & Hughes*,²¹ adopting the same *per se* rule where the civil discovery similarly originated in the United States.

Then, in 2010, the Ninth Circuit became the first Court of Appeals to consider the application of the *per se* rule to a grand jury subpoena for foreign documents produced in civil discovery. To reiterate, the defendants in the related LCD civil action had produced their foreign documents pursuant to a protective order. After the district court denied the government’s motion to modify the protective order to allow the government not only to review, but also to copy the documents, the government subpoenaed U.S. law firms that possessed the documents.²² The district court granted the law firms’ motions to quash, holding that the Ninth Circuit’s *Meserve* ruling “did not address the grand jury’s authority to subpoena foreign evidence that would otherwise be outside its subpoena power, or the interplay between criminal grand jury proceedings and ongoing civil proceedings involving unindicted foreign defendants.”²³ In a short opinion, the Ninth Circuit reversed the district court’s order and applied its *per se* rule, even though the documents originated in a foreign country and would otherwise have been beyond the government’s reach but for their production in civil discovery.²⁴

Soon thereafter, the Fourth Circuit followed suit in *In re Grand Jury Subpoena (Trade Secrets)*,²⁵ and extended its own *per se* rule to foreign documents. In that case, the protective order under which the foreign documents were produced expressly “provided for the eventuality that one of the parties and/or the protected material might be the subject of a subpoena....”²⁶ The government subpoenaed the domestic plaintiff for the documents, and the foreign company sought to quash the subpoena. The foreign company argued, among other things, that the government had “subverted the limitations on obtaining documents from foreign parties that are imposed by Rule 17 of the Federal Rules of Criminal Procedure and the MLAT between the United States and [the company’s] home country.”²⁷ The district court and thereafter the Fourth Circuit rejected this argument, however, because the government had not subpoenaed a foreign company or sought any documents located in a foreign country.²⁸ Thus, the Fourth Circuit applied its *per se* rule and affirmed the lower court’s denial of the motion to quash.²⁹

The Eleventh Circuit has also adopted a *per se* rule favoring the grand jury subpoena where the documents sought originated in the United States.³⁰ Joining the Fourth Circuit’s reasoning, the Eleventh Circuit held that “protective orders are merely a facilitating device and should not be used to shield relevant information from a grand jury subpoena.”³¹ The Court has not, however, considered the issue as to foreign-based documents.

C. The Rules in Other Circuits Involving U.S.-Based Documents

Several other Courts of Appeals have considered whether a grand jury subpoena trumps a civil protective

order with respect to documents that originated in the United States and thereafter were produced in the civil litigation, reaching differing views. These decisions may be instructive in assessing how courts in these Circuits may rule if confronted with a criminal grand jury subpoena for foreign documents brought to the United States under a protective order in a civil litigation.

1. Presumption in Favor of the Grand Jury Subpoena: The First and Third Circuits

In contrast to the *per se* rule enforcing the grand jury subpoena, the First and Third Circuits have adopted a rebuttable presumption favoring the subpoena.³² In these circuits, a party “seeking to avoid the subpoena [must] demonstrate[] the existence of exceptional circumstances that clearly favor enforcement of the protective order.”³³

The First Circuit developed this approach in 1998 after considering and rejecting the Fourth Circuit’s *per se* ruling and an intervening Second Circuit decision, discussed below, which came down on the side of the civil protective order.³⁴ The First Circuit criticized the Fourth Circuit’s *per se* rule as too inflexible in that it “overlooks that the balance...is variable and that the confluence of the relevant interests...occasionally may militate in favor of blunting a grand jury’s subpoena.”³⁵ At the same time, however, the First Circuit reasoned that by favoring the “interest in the resolution of a civil matter between private parties” over “society’s interest in the assiduous prosecution of criminal wrongdoing...,”³⁶ the Second Circuit’s approach “tilts the scales in exactly the wrong direction.”³⁷ Accordingly, the First Circuit adopted a rebuttable presumption in favor of the grand jury subpoena.³⁸

The Court provided a non-exhaustive list of factors to consider in deciding whether the party seeking to quash the subpoena has successfully rebutted the presumption:

- 1) “the government’s need for the information (including the availability of other sources)”;
- 2) “the severity of the contemplated criminal charges”;
- 3) “the harm to society should the alleged criminal wrongdoing go unpunished”;
- 4) “the interests served by continued maintenance of complete confidentiality in the civil litigation”;
- 5) “the value of the protective order to the timely resolution of that litigation”;
- 6) “the harm to the party who sought the protective order if the information is revealed to the grand jury”;
- 7) “the severity of the harm alleged by the civil-suit plaintiff”; and
- 8) “the harm to society and the parties should the encroachment upon the protective order hamper the prosecution or defense of the civil case.”³⁹

The Third Circuit followed suit, approving the same list of factors to consider in determining whether the presumption in favor of the subpoena is overcome.⁴⁰ The Third Circuit also criticized the *per se* rule as inflexible,⁴¹ and it offered three circumstances where enforcing the protective order might be appropriate: (1) in large bankruptcy cases “of major national importance”; (2) “cases involving a failed savings and loan or other financial institution”; and (3) in mass tort litigation.⁴²

2. Presumption in Favor of the Protective Order: The Second Circuit

In contrast to the other Circuits, the Second Circuit presumptively enforces the civil protective order.⁴³ To rebut the presumption, the government must make a “showing of improvidence in the grant of the order, extraordinary circumstances or compelling need.”⁴⁴ In developing this analysis, the Second Circuit balanced the “public interest in obtaining all relevant evidence required for law enforcement purposes” against “the vital function of a protective order issued under [Federal Rules of Civil Procedure 26(c)], which is to ‘secure the just, speedy, and inexpensive determination’ of civil disputes, by encouraging full disclosure of all evidence that might conceivably be relevant.”⁴⁵

While it is not entirely clear how the government might show extraordinary circumstances or compelling need, the *Martindell* court did offer two possible situations: “if all participants had died or had been granted immunity.”⁴⁶ Significantly, the Second Circuit has also noted that showing a “mere” need for the documents is insufficient to rebut the presumption. Rather, the need must be compelling.⁴⁷

With regard to whether the protective order was “improvidently granted,” the Second Circuit has also offered two examples. First, if the document at issue were a settlement agreement, and the judge should have “recognized a substantial likelihood that the settlement would facilitate or further criminal activity[,]” then, the Court posited, it would be appropriate to determine that the protective order was improvidently granted.⁴⁸ Second, if the settlement agreement itself was illegal, then the order sealing it would be improvidently granted.⁴⁹ The Court added that even though the purpose of the protective order was to prevent the government from accessing the information in the sealed documents, that fact alone does not show that the order was improvidently granted.⁵⁰

III. The Defense Perspective

It is an old and “well-established” maxim of the law that “what you cannot do directly, you cannot do indirectly.”⁵¹ And there is good reason for that rule. Allowing the government to circumvent the limits on criminal discovery—in order to obtain documents beyond its reach but for civil discovery⁵²—implicates significant policy concerns that do not arise when the subject documents

originated in the United States. Most obviously, this practice is not easily reconciled with the doctrine of comity or with the judiciary's limited role in international relations. Second, by allowing this practice *per se*, the judiciary aligns interests in a way that raises the possibility of collusion between antitrust enforcers and the private plaintiffs' bar. Third, this practice has the potential to affect foreign leniency programs detrimentally. Finally, by transforming attorneys into third-party witnesses, this practice chills the attorney-client relationship, which ultimately threatens the efficacy of our justice system.

A. Comity and the Role of the Judiciary in International Relations

Enforcing a grand jury subpoena for foreign documents implicates the doctrine of comity⁵³ and the role of the judiciary in international relations. The danger of international friction is especially high when foreign parties have produced the subject documents in the United States in reliance on a federal court's protective order. In some cases, foreign parties have produced documents in reliance on protective orders that expressly protect those documents from disclosure to the DOJ or other investigative agencies.⁵⁴ Under such circumstances, the enforcement of a subpoena for those documents seemingly transforms the protective order into a bait-and-switch trap. By enforcing the subpoena, the court could spark international tension.

Moreover, given the Executive's role as the "First Diplomat," the judiciary has traditionally exhibited extraordinary reluctance to become involved in matters concerning international relations,⁵⁵ even when confronted with the broad authority and power of the grand jury.⁵⁶ The Fourth and Ninth Circuits' *per se* rule, then, raises not only concern for the likelihood of creating international tension; but also a concern for separation of powers. Because of these concerns, the DOJ has traditionally relied on other means besides subpoenas for obtaining foreign criminal discovery: namely, letters rogatory, MLATs, and informal diplomatic requests.⁵⁷ These approaches to obtaining evidence from abroad are designed to respect the sovereignty of other nations. And, in cases where these other means fail to meet a compelling need for the subject documents, a presumption in favor of enforcing the protective order provides sufficient flexibility that the government may be able to obtain the documents.

B. The Misalignment of Interests

Enforcing grand jury subpoenas for sealed foreign documents perversely aligns the government's interests with those of civil plaintiffs. It is well-known that "civil cases are [often] filed on the heels of an announcement about a criminal grand jury investigation,"⁵⁸ and after a private party brings such a suit, the government and the plaintiff might share information and strategize together.⁵⁹ If civil plaintiffs know that grand jury subpoe-

nas will be enforced despite protective orders, then they may—under certain circumstances—have an interest in gaining access to documents they would otherwise not access, for the sole purpose of uncovering criminal activity and passing these documents along to the DOJ. And, in other contexts, the government's criminal investigation may come to a halt without facts that are uncovered in civil litigation. Even without ascribing any bad faith to either the government or civil plaintiffs, it is undeniable that they could each benefit from overly broad civil discovery, at least where courts are likely to enforce a subpoena for that discovery. This result is problematic because of the rule that the government "may not bring a parallel civil proceeding and avail itself of civil discovery devices to obtain evidence for subsequent criminal prosecution."⁶⁰ In other words, the law does not approve of the government circumventing the limits on criminal discovery.

While the Fourth and Ninth Circuits have arguably provided an exception to their *per se* rule for cases of collusion,⁶¹ some have argued that whether there is evidence of collusion is "irrelevant" due to the alignment of interests.⁶² That is,

plaintiffs have the incentive to seek overly broad civil discovery precisely because prosecutors could use that discovery—to which they are not otherwise entitled—to secure a criminal indictment or conviction. The specter of criminal prosecution *inevitably inures to plaintiffs' benefit*, and *plaintiffs do not need the government's complicity or involvement* in such tactics.⁶³

Accordingly, an exception to the *per se* rule does not sufficiently address the problem. In order to realign the interests of plaintiff and prosecutor, the best rule is one that does not allow the government to obtain sealed foreign documents by subpoena—or only does so in the rarest of cases.⁶⁴ In the Fourth and Ninth Circuits, where such a rule would contravene precedent, the best approach may be to move for a stay of the civil proceedings prior to discovery, pending completion of the grand jury investigation.⁶⁵

C. The Threat to Foreign Leniency Programs

Next, granting the government access to civil discovery of foreign documents for use in criminal proceedings potentially undermines foreign leniency programs.⁶⁶ If the government can access protected foreign documents by subpoenaing civil discovery, foreign companies will be more reluctant to self-report to agencies—such as the Japan Fair Trade Commission and the European Commission—since their leniency materials could potentially land in the United States government's lap for use in criminal proceedings against them.⁶⁷ This result "undermine[s] the very purpose and efficacy of the leniency programs."⁶⁸

D. Chilling the Attorney-Client Relationship

Finally, when the government subpoenas a law firm—as opposed to a party—for protected foreign documents that it has in its possession solely because of civil discovery, the government puts considerable strain on the attorney-client relationship. This problem is even more pronounced where the subpoenaed documents are the law firm’s own client’s documents and where the law firm possesses them solely for review before production. As an advocate, an attorney’s interests should be aligned with—or at least not contrary to—the client’s interests. But when the government subpoenas a law firm, the firm’s interests become incompatible with the client’s. In effect, the government transforms the law firm into a third-party witness in its criminal investigation of the firm’s client.⁶⁹ If the firm complies with the subpoena, it does so (in all likelihood) to the detriment of its client. If it does not comply, the law firm faces the possibility of becoming embroiled in a legal dispute as a party.

Moreover, when the documents at issue are foreign documents that would not otherwise be discoverable in a criminal case, a rule that presumes enforcement of the subpoena will likely have a chilling effect on the attorney-client relationship. That is, parties to civil litigation will become more reluctant to share documents with their attorneys in the United States if these documents can then be used against them in a criminal matter.⁷⁰

E. The Problems With a *Per Se* Rule

Although three Courts of Appeal have adopted the *per se* rule, much has been written in criticism of it,⁷¹ and just as many Courts of Appeal have rejected it. Courts and commentators frequently argue that the *per se* rule is inflexible and does not yield to extreme circumstances that would favor enforcement of the protective order.⁷² Courts and commentators have also reasoned that the *per se* rule encourages settlement of meritless cases and increases costs associated with civil litigation. For example, the Second Circuit expressly grounded its rejection of the *per se* rule in the interest in “‘secur[ing] the just, speedy, and inexpensive determination’ of civil disputes....”⁷³ The court’s concern was that if parties or third parties to civil litigation cannot rely on the enforceability of protective orders, they will be less likely to voluntarily produce documents or witnesses in a timely and efficient manner, and be more likely to invoke the Fifth Amendment privilege in civil discovery.⁷⁴ Alternatively, the party or third party may insist on its documents being reviewed abroad—outside of the law firm’s custody or control—but this practice can be expensive and raises significant logistical problems. By making it riskier to review and produce documents in the United States, the *per se* rule encourages settlement of meritless cases and increases litigation costs.

The rule that best takes into account the policy concerns associated with enforcing subpoenas for sealed

foreign documents is a rebuttable presumption in favor of the protective order. The Second Circuit has taken this approach for documents that do not originate abroad, but has not yet considered whether to apply it to foreign documents. This rule is flexible, and yet takes into account each of the policy concerns associated with subpoenaing foreign documents.

IV. The Government’s Perspective

The DOJ’s brief opposing *certiorari* in *White & Case*⁷⁵ sets out the government’s arguments for holding that a grand jury subpoena for documents brought into the United States under a civil protective order trumps the protective order’s disclosure restrictions.⁷⁶ The brief presented several points that responded to the subpoenaed law firms’ arguments attacking the balance the Ninth Circuit had struck. In sum, the DOJ argued that a civil protective order:

1. does not limit the breadth of a grand jury’s subpoena power,
2. which permits the government to discover non-privileged, pre-existing documents of foreign corporate defendants under criminal investigation in the United States,
3. where such documents are in the custody and control of law firms in the United States, regardless of whether the documents originated abroad.⁷⁷

We summarize the DOJ’s position below.

A. Broad Scope of Grand Jury Authority

Although the “powers of the grand jury are not unlimited,”⁷⁸ enforcing a grand jury subpoena in the face of a protective order is entirely consistent with the broad scope of the grand jury’s investigative powers—a scope that “reflects its special role in insuring fair and effective law enforcement.”⁷⁹ Indeed, since the grand jury’s task “is not fully carried out until every available clue has been run down and all witnesses examined in every proper way to find if a crime has been committed[,]” its “investigative powers are necessarily broad.”⁸⁰ The Supreme Court has implicitly recognized this principle in refusing all requests “to exercise supervision over the grand-jury’s evidence-taking process[.]”⁸¹

Allowing a protective order to block grand jury access to materials available to private litigants “may seriously impede a criminal investigation...[.]”⁸² and thus subvert the government’s fundamental obligation to enforce the law and protect the public interest.⁸³ In addition, nothing in Federal Rule of Civil Procedure 26(c), which provides for the grant of protective orders, in any way alters the government’s enforcement obligation or “circumscribe[s] the grand jury’s authority and subpoena power....”⁸⁴ Indeed, a defendant’s desire to use a civil protective order as a shield to hide possibly incriminating evidence from detection is not a particularly strong reason to deny a

duly constituted grand jury, acting in the public interest, access to such material.⁸⁵ The mission of a civil protective order is to avert “annoyance, embarrassment, oppression or undue burden or expense”⁸⁶—not to protect against disclosure of criminal activity.

B. Control Over Foreign Documents

The “test for the production of documents is control, not location.”⁸⁷ Thus, even documents located in foreign countries may be subject to production where *in personam* jurisdiction exists over the person “in possession or control of the material.”⁸⁸

On this view, a grand jury subpoena may direct law firms in the United States to produce documents located in the United States that are in the firm’s custody and control.⁸⁹ By the same token, it is not an exercise of extra-territorial jurisdiction to seek documents in the custody and control of law firms in the United States, properly served with subpoenas in the country, simply because the documents at issue may have originated abroad.⁹⁰

Given this specifically domestic focus, it is unlikely that issues related to international comity or foreign sovereignty would arise. Equally, there is no need to consider the availability of alternative means to obtain foreign-sourced copies of the documents (like letters rogatory or treaty requests).⁹¹

C. No Adverse Effect on Foreign Leniency Programs

The DOJ “has supported EU efforts to protect its confidential leniency materials from disclosure in civil discovery because ‘harm to [a foreign] leniency program could result in harm to the Division’s ability to detect and successfully prosecute international cartels that target U.S. businesses and consumers[.]’”⁹² There is no reason to believe that the DOJ would “suddenly change its views on confidentiality, impair [any foreign] leniency program to the detriment of its own program, and jeopardize its close working relationship with” foreign sovereigns.⁹³

D. No Effect on the Attorney-Client Privilege

Enforcing a grand jury subpoena against a law firm with custody and control of documents that have been produced in civil discovery cannot be said to have a chilling effect on attorney-client privilege absent a showing of government bad faith or improper motive. The attorney-client privilege applies only to information communicated in connection with a firm’s representation of a client.⁹⁴ It does not apply to documents prepared for business purposes, which relate to the underlying litigation, and which have been disclosed to civil plaintiffs in response to their discovery requests.⁹⁵

The attorney-client privilege exists to protect communications made in furtherance of legal advice by an attorney to a client. It does not exist to shield business documents from disclosure. Accordingly, a client’s trans-

fer of non-privileged business documents to its attorney does not make the materials privileged.⁹⁶ Their very production in a civil litigation reflects that the documents are not privileged as attorney-client communications in the grand jury investigation. Similarly, a geographic limit on the area from which the grand jury can compel a subpoenaed party to produce business documents does not implicate the considerations underlying the attorney-client privilege.

E. The Myth of “Collusion” With the Private Plaintiffs

As discussed further below, grand jury subpoenas cross paths with materials covered by protective orders only infrequently because the government’s investigation is typically well ahead of any parallel civil case. This means that the government generally has its evidence before discovery in the private case has proceeded very far, if at all.⁹⁷ Indeed, the government will often seek to stay discovery in the civil case to prevent the revelation of sensitive information about the grand jury investigation.⁹⁸

Nevertheless, in *White & Case*, the law firms argued that an alignment of interest between the DOJ and private plaintiffs created incentives for the two to adopt a common strategy, either explicitly or implicitly, by which private plaintiffs’ counsel could help the DOJ secure foreign documents. This supposed arrangement would expose defendants to greater risks in the government’s criminal proceedings and give the plaintiffs additional leverage in the civil suit. The argument is not persuasive.

For one thing, reported examples of such “collusion” are utterly lacking. And that is not surprising. Criminal grand jury investigations are subject to stringent secrecy requirements.⁹⁹ DOJ attorneys who conduct antitrust grand jury investigations know full-well that they have obligations of secrecy, that any breach would subject them to severe sanctions—not simply contempt of court, as provided in Fed. R. Crim. P. 6(e)(2), but also professional discipline and even criminal prosecution.¹⁰⁰

Moreover, the DOJ’s self-imposed confidentiality policy covering information from leniency applicants bars disclosure even to foreign enforcement officials, as well as to private plaintiffs’ counsel in the United States, absent court order or applicant consent.¹⁰¹ In consequence, DOJ attorneys are notoriously closed-lipped in their dealings with counsel for private antitrust plaintiffs. The notion that the DOJ attorneys would be willing to fashion a common criminal-civil litigation strategy with plaintiffs’ counsel is unrealistic. The risk of exposure if they did is obvious. Furthermore, the increasingly frequent litigation between the DOJ and private plaintiffs’ counsel on motions to stay civil antitrust litigation highlights that this defense argument is divorced from reality.

Likewise contrived is the suggestion that plaintiffs’ counsel might craft “overbroad” document requests in an effort to amass from defendants material of value

beyond that sought by the grand jury. Defense counsel routinely object to civil document requests as overbroad. When they cannot make that position stick in subsequent meet-and-confer sessions, they show no hesitancy in litigating the matter before the court. The district courts are well able to identify and deal with document requests that go beyond what a particular case requires. Antitrust cases are no different, and “overbroad” requests seeking foreign documents are no more difficult to deal with than are those directed to U.S. documents. Indeed, the plaintiffs’ need to connect foreign documents to conduct actionable under U.S. antitrust law makes requests for foreign documents, if anything, more susceptible to objection on grounds of overbreadth than are their domestic document counterparts. And, at bottom, plaintiffs’ counsel are not going to risk their credibility with the court by arguing for inappropriate document requests in the hope that they might prevail and that, eventually, the DOJ may be able to secure the materials produced.

V. The Private Plaintiffs’ Perspective

Counsel representing individual private plaintiffs and those suing on behalf of a class seek a recovery for the victims of price-fixing and other anticompetitive conduct. In pursuing recovery for injured persons, private plaintiffs and their counsel are aligned in interest with the DOJ in enforcing the antitrust laws.¹⁰² And the more success that the DOJ has in its criminal price-fixing cases, the greater the damage recovery that private plaintiffs are likely to achieve. Accordingly, other things being equal, private plaintiffs benefit if the DOJ is able to secure more, rather than less, information, and if that information helps the DOJ to successfully prosecute price-fixers.¹⁰³ Specifically here, private plaintiffs can be expected to benefit if the DOJ can obtain discovery from a civil antitrust case, which the DOJ might otherwise have more difficulty securing through grand jury subpoenas or other appropriate criminal law methods, for use in its prosecution.

The rub, however, is in the qualifier “other things being equal.” They rarely are. There are indirect or collateral effects that can be expected if the DOJ is able to use grand jury subpoenas to obtain civil discovery where the underlying documents themselves might not be subject to subpoena but for their production in the related civil litigation. These effects suggest that private plaintiffs may find neutrality to be the most desirable position.

A. Civil Discovery in the Lead?

In the *White & Case* litigation, the civil discovery, in effect, got out ahead of aspects of the criminal investigation. This circumstance is not common, but as the case reflects, also not impossible. Given the Ninth Circuit’s ruling, defendants can be expected to do what they can to make this uncommon circumstance even more infrequent. These defense efforts, in turn, will likely delay discovery and case progress generally—not a good thing for

antitrust plaintiffs. The longer that cases go on, the more likely it becomes that witnesses will become unavailable and that their recollections will fade. Documents can be lost or otherwise cease to exist, and the litigation itself can grow stale. Unlike wine, litigation claims rarely improve with age.¹⁰⁴ Thus, the challenge for plaintiffs’ counsel is to avoid having litigation anchored in a relatively rare, albeit possible, occurrence that increases the delay already prevalent in antitrust litigation.

B. Sand in the Civil Discovery Saddlebags

If the Ninth Circuit’s position in *White & Case* is the one that will apply to civil discovery, defendants probably will make increased efforts to delay commencement of discovery. Some delay is inherent in the justice system. DOJ grand jury investigations typically beget private civil actions, often class actions, and that in turn generally triggers proceedings before the Judicial Panel on Multidistrict Litigation (“JPML”), which will eventually transfer all the related cases to a single district court for consolidated or coordinated pretrial proceedings.¹⁰⁵ The JPML process itself will consume several months, and although private plaintiffs may seek discovery in their original cases before the JPML transfer, defendants will generally oppose any such effort. District courts awaiting action by the JPML are generally inclined against letting the discovery ship sail (and, indeed, tend to limit case proceedings generally). The prospect of the DOJ securing access to civil discovery, otherwise unavailable directly, will offer defendants yet another ground to avoid pre-transfer discovery.

Once the JPML transfers the case, a new “consolidated amended complaint” tends to follow. The defense will make the virtually inevitable “*Twiqbal*” motion, a routine event in today’s world of antitrust litigation.¹⁰⁶ But that filing does not necessarily assure a discovery stay in antitrust cases the way it does for securities cases under the Private Securities Litigation Reform Act.¹⁰⁷ The Fourth and Ninth Circuits’ position, adopting a *per se* rule favoring the grand jury subpoena, can be expected to translate into more defense resolve to seek discovery stays pending resolution of their motions to dismiss.¹⁰⁸

Where civil discovery appears likely to start, the DOJ has in recent years itself intervened in related civil antitrust litigation with increasing frequency to seek a discovery stay.¹⁰⁹ Stay relief, the DOJ argues, is needed to preserve integrity of the grand jury investigation or of the criminal prosecution.¹¹⁰ Defendants often support (and almost never oppose) the DOJ stay motion. Indeed, defendants have themselves sought discovery stays even when the DOJ has not.¹¹¹

Again, in view of the Fourth and Ninth Circuits’ position, defendants may be expected to redouble their efforts to stay discovery in an attempt to make sure that civil document production does not get ahead of the document production to the grand jury and ahead of the grand jury investigation more generally. Insofar as the Fourth and

Ninth Circuit rulings increase the willingness of district courts to stay civil discovery, that will mean that civil antitrust cases, often lengthy litigations, will take even longer to resolve—a circumstance that does not benefit private plaintiffs. Discovery stays are not the stuff from which antitrust settlements tend to be forged.

Antitrust grand jury investigations, along with the criminal prosecutions that may result, can take years to conclude. While district court judges may be willing to stay civil discovery to give the DOJ's criminal proceedings breathing space, there are civil dockets to be managed as well, and case law counsels against stopping civil antitrust litigation until the criminal proceedings first conclude.¹¹² There will, therefore, come a point where the stay ends, and the civil discovery moves forward. The civil plaintiffs often seek documents that go beyond that which the defense side produces to the grand jury. Especially where international cartels are concerned, the civil plaintiffs may seek documents located abroad, which the DOJ did not seek, or if it did, was unable to obtain.

C. Standing Pat

The Fourth and Ninth Circuit rulings will challenge defense counsel to avoid a recurrence of the situation that produced subpoenas to U.S. law firms representing parties in the *White & Case* litigation. But document production is particularly valuable to civil plaintiffs, who—unlike the DOJ—cannot secure witness testimony early on by granting criminal amnesty or testimonial immunity. Counsel for the civil plaintiffs, however, are unlikely to forgo discovery of foreign documents unless defendants offer something significantly beneficial in exchange—and it is hard to imagine just what that could be. So, instead, defense counsel may seek to avoid bringing the foreign documents (or copies of them) into the United States, arguing to plaintiffs' counsel that they should review the materials abroad.¹¹³ Again, however, plaintiffs' counsel are unlikely to agree to incur the cost and inconvenience of overseas travel unless the defendants offer something in return. Even the defendants' agreement to pay the expense—itself unlikely—would not seem sufficient to induce plaintiffs' counsel to review documents abroad. But let us assume, for discussion's sake, that overseas review might be feasible.

Document review is one thing. Producing copies of the documents to the plaintiffs who wish to use them in pursuing the litigation itself is quite another. The documents that the plaintiffs are entitled to under federal discovery rules cannot be housed abroad when the attorneys who need to use the materials, and the court to which they may be furnished, are located in the United States. Nor is it realistic to suggest that the foreign documents could be maintained in electronic form on a server abroad, with plaintiffs' counsel given web-based access. Plaintiffs' counsel are unlikely to accept online access if they cannot download materials and use them fully in

the case, just as if the production were housed on a computer in the U.S. offices of plaintiffs' counsel.

Therefore, increased discovery disputes over whether defendants will be required to produce foreign documents, and, if so, under what terms and conditions, can be expected. As noted earlier, under prevailing law, once the civil antitrust court has jurisdiction over a party, the court has authority to direct document production in the case, regardless of whether the documents are ordinarily located in this country or abroad.¹¹⁴ And the court can back up its order by imposing sanctions on a non-compliant litigant, including the ultimate sanction of entering a judgment by default.¹¹⁵ For this reason, while retaining foreign documents abroad may help defendants keep them out of the DOJ's criminal reach, the civil plaintiffs will likely challenge such action, and a defendant who opts for this alternative faces potentially serious consequences in the civil litigation.

D. More Protection in the Protective Order?

Creative defense attorneys may seek to secure language in the protective order, either with the consent of plaintiffs' counsel or in litigated proceedings, which may improve their position in objecting to a grand jury subpoena. The parties in the case underlying the Fourth Circuit's ruling took steps in that direction, but they were unsuccessful.¹¹⁶

There are, however, other federal circuits where the Courts of Appeals have expressed more willingness to take account of a civil protective order than the Ninth and Fourth Circuits have shown. Thus, there may be provisions that defense counsel could suggest, which plaintiffs' counsel might find acceptable because they do not jeopardize their entitlement to the foreign documents sought. Like many things, the devil is in the details.

Thus, in summary, the alignment of interest between private plaintiffs' counsel and the DOJ suggests that plaintiffs' counsel should welcome the *White & Case* ruling. The decision will be a mixed blessing, however, if it enables defendants in civil antitrust litigation to prevail on arguments that either constrict the discovery of foreign documents altogether or lengthen the time needed for discovery and eventual case resolution.

VI. Conclusion

Parallel criminal and civil antitrust proceedings are regular occurrences today, and that state of affairs is unlikely to change. There will, in consequence, be circumstances where the interests in criminal enforcement clash with those in civil enforcement. When the authority of the grand jury to subpoena evidence bumps up against a protective order in civil litigation designed to promote discovery, one or the other will need to give way. This is, at bottom, a policy decision where weighty considerations on each side cry out for recognition. Either Congress or, more likely, the Supreme Court will eventually make the choice.

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**New York State Bar Association
Commercial and Federal Litigation Section
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Endnotes

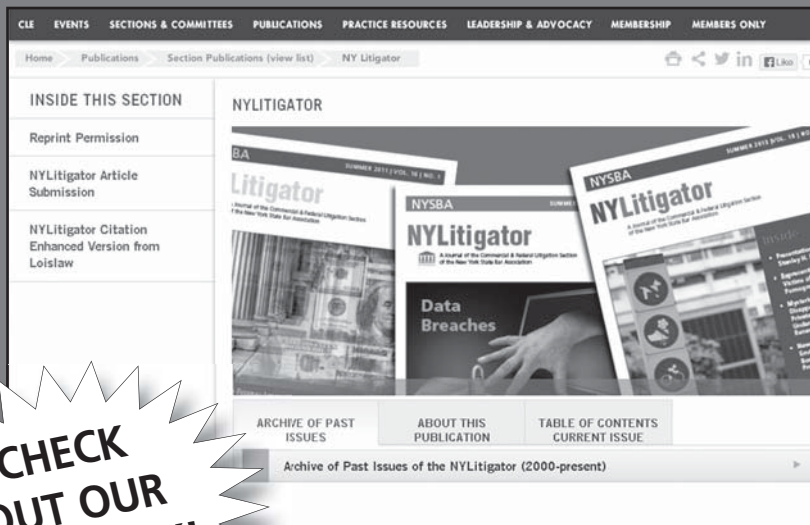
1. See generally Press Release, U.S. Dep't of Justice, Taiwan-Based Au Optronics Corporation Sentenced to Pay \$500 Million Criminal Fine for Role in LCD Price-Fixing Conspiracy (Sept. 20, 2012), available at http://www.justice.gov/atr/public/press_releases/2012/287189.pdf; Competition Law360, *Toshiba to Pay Direct LCD Buyers \$30M in Price-Fixing MDL* (Sept. 11, 2012), available at <http://www.law360.com/articles/377122/print?section=california>.
2. See generally *In re Grand Jury Subpoenas, served on White & Case LLP*, 627 F.3d 1143 (9th Cir. 2010) [hereinafter *White & Case*], cert. denied, 131 S. Ct. 3061 (2011), cert. denied, 131 S. Ct. 3062 (2011) [hereinafter *White & Case II*]; *In re TFT-LCD (Flat Panel) Antitrust Litig.*, No. M-07-1827 SI (N.D. Cal. Feb. 11, 2010) (No. 1646) (Statement of Reasoning involved in Court Order of Feb. 11, 2010) [hereinafter *Flat Panel Statement of Reasoning*], rev'd sub nom., *White & Case*, 627 F.3d 1143; *Civil Procedure—Protective Orders—Ninth Circuit Holds that Grand Jury Can Subpoena Protected Foreign Documents*, 124 HARV. L. REV. 2099 (2011).
3. See ABA SECTION OF ANTITRUST LAW, HANDBOOK ON ANTITRUST GRAND JURY INVESTIGATIONS 293 (3d ed. 2002) [hereinafter ABA GRAND JURY HANDBOOK] (describing the Antitrust Division's notification practice). The DOJ, however, reserves the right to subpoena foreign documents. See *id.* at 47.
4. *In re Grand Jury Proceedings*, (Billy J. Williams, GJ88-1), 995 F.2d 1013, 1015 (11th Cir. 1993) [hereinafter *Williams*].
5. See *United States v. R. Enters., Inc.*, 498 U.S. 292, 299 (1991).
6. 28 U.S.C. § 1783 (2011); FED. R. CRIM. P. 17(e)(2) (2011); see also *In re Grand Jury Subpoena*, 646 F.3d 159, 165 (4th Cir. 2011) [hereinafter *Trade Secrets*] (“[The moving foreign company] correctly points out that because it is neither a United States national nor a resident, Rule 17(e)(2) prevents the government from serving a grand-jury subpoena on [it] in a foreign country.”).
7. See generally ABA GRAND JURY HANDBOOK, *supra* note 3, at 47, 279–80, 293. This practice, however, apparently is undergoing DOJ review in view of recent antitrust litigation where an indicted company argued that foreign documents “voluntarily” produced to the grand jury were inadmissible at trial under Rule 410 of the Federal Rules of Evidence, which excludes, among other things, plea negotiation statements. See Tr. of Proceedings at 6-7, 26-54, *United States v. Homy Hong-Ming Hsu* (N.D. Cal. Sept. 10, 2012) (No. C 11-488).
8. MLATs are treaties that “provide for bilateral, mutual assistance in the gathering of legal evidence for use by the requesting state in criminal investigations and proceedings.” *In re Trade Secrets*, *supra* note 6, 646 F.3d at 165; see also ABA GRAND JURY HANDBOOK, *supra* note 3, at 262–66, 280.
9. “A letter rogatory is a request from a judge in the United States to the judiciary of a foreign country requesting the performance of an act which, if done without the sanction of the foreign court, would constitute a violation of that country’s sovereignty.” United States Dep’t of Justice, *Criminal Resource Manual* § 275, available at http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/crm00000.htm [hereinafter DOJ CRM]; see also ABA GRAND JURY HANDBOOK, *supra* note 3, at 280–82.
10. Michael E. Gertzman & James J. Beha II, *Deciding Where to Review Overseas Client’s Documents*, N.Y. L.J., (Dec. 8, 2011), at 5; see also ABA GRAND JURY HANDBOOK, *supra* note 3, at 292; DOJ CRM, *supra* note 9, at § 275 (noting that “[p]rosecutors should assume that the process of [using letters rogatory to obtain evidence] will take a year or more”).
11. United States’ Reply to AU Optronics Corp. and Toshiba Corp.’s Opp’n to United States’ Mot. to Modify the Court’s September 25, 2007 Order at 3, *Flat Panel*, *supra* note 2, (N.D. Cal. Filed June 5, 2009) (No. M 07-1827 SI) (No. 1040) [hereinafter *Flat Panel United States’ Reply*] (stating that “[m]ost of the companies and individuals under investigation are located overseas, outside the reach of the grand jury”), rev’d sub nom., *White & Case*, *supra* note 2, 627 F.3d 1143.
12. See FED. R. CIV. P. 34(a)(1).
13. *Gerling Int’l Ins. Co. v. Comm’r of Internal Revenue*, 839 F.2d 131, 140 (3d Cir. 1988).
14. *Trade Secrets*, *supra* note 6, 646 F.3d at 168; *White & Case*, *supra* note 2, 627 F.3d at 1144.
15. *Trade Secrets*, *supra* note 6, 646 F.3d at 168 (quoting *In re Grand Jury Subpoena v. (Under Seal)*, 836 F.2d 1468, 1477 (4th Cir. 1988) [hereinafter *Cnty. Sav. & Loan*]); *White & Case*, *supra* note 2, 627 F.3d at 1144.
16. *Cnty. Sav. & Loan*, *supra* note 15.
17. *Id.* at 1469.
18. *Id.* at 1473.
19. *Id.* at 1471-72.
20. *Id.* at 1474, 1478.
21. 62 F.3d 1222, 1226 (9th Cir. 1995) [hereinafter *Meserve*].
22. *Flat Panel Statement of Reasoning*, *supra* note 2, at 2–3.
23. *Id.* at 3.
24. *White & Case*, *supra* note 2, 627 F.3d at 1144.
25. *Trade Secrets*, *supra* note 6, 646 F.3d 159.
26. *Id.* at 162.
27. *Id.* at 164–65.
28. *Id.* at 165–66.
29. *Id.* at 169.
30. See *Williams*, *supra* note 4, 995 F.2d at 1020 (quoting *Cnty. Sav. & Loan*, *supra* note 15, 836 F.2d at 1477).
31. *Williams*, *supra* note 4, 995 F.2d at 1017.
32. *In re Grand Jury*, 286 F.3d 153, 156 (3d Cir. 2002) [hereinafter *Grand Jury*]; *In re Grand Jury Subpoena (Served Upon Stephen A. Roach, Esquire)*, 138 F.3d 442 (1st Cir. 1998) [hereinafter *Roach*].
33. *Grand Jury*, *supra* note 32, 286 F.3d at 156; see also *Roach*, *supra* note 32, 138 F.3d at 445.
34. *Roach*, *supra* note 32, 138 F.3d at 444-45.
35. *Id.* at 445.
36. *Id.*
37. *Id.* at 444.
38. *Id.* at 445.
39. *Id.*
40. *Grand Jury*, *supra* note 32, 286 F.3d at 162.
41. *Id.*
42. *Id.* at 163.
43. *Martindell v. Int’l Tel. & Tel.*, 594 F.2d 291, 295–96 (2d Cir. 1979). *Martindell* arose from an informal government request to unseal deposition transcripts in the civil case. However, the Second Circuit adopted the same approach when presented with a government grand jury subpoena. See *In re Grand Jury Subpoena Duces Tecum Dated April 19, 1991*, 945 F.2d 1221, 1222, 1224 (2d Cir. 1991) [hereinafter *Eastern*].

44. *Eastern*, *supra* note 43, 945 F.2d at 1224-25; *see also In re Teligent, Inc.*, 640 F.3d 53, 59 (2d Cir. 2011) (noting that “once a protective order has been entered and relied upon, ‘it can only be modified if an extraordinary circumstance or compelling need warrants the requested modification’” (quoting *FDIC v. Ernst & Ernst*, 677 F.2d 230, 232 (2d Cir. 1982)) (quotation marks omitted)).
45. *Martindell*, 594 F.2d at 295-96 (quoting FED. R. CIV. P. 1) (citations omitted).
46. *Martindell*, 594 F.2d at 296 n.7.
47. *See Palmieri v. New York*, 779 F.2d 861, 866 (2d Cir. 1985).
48. *Id.*
49. *Id.* at 865.
50. *Id.* at 866.
51. President Lincoln, before he was elected, relied on this maxim in his October 13, 1858 debate with Senator Stephen Douglas. 3 COLLECTED WORKS OF ABRAHAM LINCOLN 279 (Roy P. Basler *et al.* eds., Abraham Lincoln Association 1953), available at <http://quod.lib.umich.edu/1/lincoln/>.
52. Courts that enforce grand jury subpoenas for sealed foreign documents effectively allow the government an end run around the grand jury’s “geographical limits.” *See Flat Panel Statement of Reasoning*, *supra* note 2, at 2 (“The Special Master found that the DOJ’s request for all civil discovery would expand the DOJ’s subpoena power beyond its current geographical limits.”); *see also* 28 U.S.C. § 1783 (2011); FED. R. CRIM. P. 17(e)(2) (2011); *Flat Panel United States’ Reply*, *supra* note 11, at 3 (conceding that “[m]ost of the companies and individuals under investigation are located overseas, outside the reach of the grand jury”).
53. *See Sarei v. Rio Tinto, PLC*, 487 F.3d 1193, 1211 (9th Cir. 2007) (“Under the international comity doctrine, courts sometimes defer to the laws or interests of a foreign country and decline to exercise jurisdiction that is otherwise properly asserted.”) (emphasis added).
54. *See, e.g., Trade Secrets*, *supra* note 6, 646 F.3d at 162 (noting that the protective order at issue specifically “provided for the eventuality that one of the parties and/or the protected material might be the subject of a subpoena”); *Cnty. Sav. & Loan*, *supra* note 15, 836 F.2d at 1469 (noting that the protective order at issue protected the deposition transcripts from, among others, “any state or federal investigating agency or authority”).
55. *Cf., e.g., United States v. Curtiss-Wright Export Corp.*, 299 U.S. 304, 319 (1936) (“The President is the sole organ of the nation in its external relations, and its sole representative with foreign nations.”).
56. *See, e.g., In re Grand Jury Proceedings The Bank of Nova Scotia*, 722 F.2d 657, 658 (11th Cir. 1983) (remanding on grounds that “the enforcement of such subpoenas requires the balancing of many factors including the national interests of the countries involved”); *see also Minpeco S.A. v. Conticommodity Servs., Inc.*, 116 F.R.D. 517, 521 (S.D.N.Y. 1987) (“The Court of Appeals in the more recent cases has consistently considered foreign law implications in reviewing both orders to compel and orders imposing sanctions.”).
57. *See DOJ CRM*, *supra* note 9, at §§ 267, 274–78.
58. *See Flat Panel Statement of Reasoning*, *supra* note 2, at 3.
59. *See, e.g., Trade Secrets*, *supra* note 6, 646 F.3d at 163, 167 (acknowledging that Company 2 had disclosed the terms of the protective order to the government so that it could use the same language to subpoena the exact documents that were protected, but ultimately affirming the lower court’s finding that “there was no evidence that Company 2 engaged in discovery in the Civil Litigation at the behest of the government”).
60. *Id.* at 166 (internal quotation marks omitted); *see also* 8B CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 2040 (3d ed. 2011) [hereinafter WRIGHT]; *Osband v. Woodford*, 290 F.3d 1036, 1042 (9th Cir. 2002) (affirming the denial of a motion to reconsider a protective order that was “designed to ensure that the prosecution on retrial [would] not use the discovery permitted in the habeas proceeding to circumvent the more limited discovery available in criminal prosecutions”).
61. *See Trade Secrets*, *supra* note 6, 646 F.3d at 166–67; *White & Case*, *supra* note 2, 627 F.3d at 1144.
62. *See* Brief of Amici Curiae Chamber of Commerce of the United States of America and DRI—the Voice of the Defense Bar in Support of Petitioner at 8-9, *White & Case II*, *supra* note 2.
63. *Id.* (emphasis added).
64. *See generally id.* (“If the Ninth Circuit’s *per se* rule is allowed to stand, DOJ will have a method, *not requiring explicit collusion with any other party*, of rendering nugatory our country’s obligations to other nations with respect to obtaining documents located abroad during criminal investigations. This circumvention is particularly problematic where, as here, an announcement of a grand jury investigation—not unexpectedly—gives rise to the civil actions.” (emphasis added)).
65. *See White v. Mapco Gas Prods., Inc.*, 116 F.R.D. 498, 503 (E.D. Ark. 1987) (granting a motion for a stay in a civil antitrust action pending a grand jury investigation partially because “by allowing civil discovery, litigants might have an opportunity to circumvent the more restrictive rules of criminal discovery to obtain information that they would not otherwise be entitled to for use in a criminal suit”); *see also Cnty. Sav. & Loan*, *supra* note 15, 836 F.2d at 1476; WRIGHT, *supra* note 60, at § 2040.
66. *See, e.g., Pet. for a Writ of Certiorari* at 34–37, *White & Case II*, *supra* note 2, 131 S. Ct. 3061 [hereinafter Pet. for a Writ of Certiorari]; Br. of Amicus Curiae Japan Competition Law Forum in Supp. of Pet. for a Writ of Certiorari at 12–14, *White & Case II*, *supra* note 2, 131 S. Ct. 3061 [hereinafter Japan Competition Law Forum Amicus Brief].
67. Japan Competition Law Forum Amicus Brief, *supra* note 66, at 13-14.
68. *Id.* at 14; *see also* Pet. for a Writ of Certiorari, *supra* note 66, at 34-37.
69. *See generally* David S. Rudolph & Thomas K. Maher, *The Attorney Subpoena: You Are Hereby Commanded to Betray Your Client*, 1 CRIM. JUST. 15 (1986) (discussing the effects of subpoenaing attorneys).
70. *See Gertzman & Beha*, *supra* note 10, at 8 (“The principle that a client’s documents are not privileged in the hands of counsel and the teaching of Fisher that documents are privileged from disclosure in the hands of a client remain privileged in the hands of counsel are in conflict in the context of government efforts to seek discovery from an attorney of his non-U.S. client’s overseas documents.”).
71. *See, e.g., Roach*, *supra* note 32, 138 F.3d at 444-45; Ajit V. Pai, *Should a Grand Jury Subpoena Override a District Court’s Protective Order?*, 64 U. CHI. L. REV. 317 (1997) (arguing for a presumption in favor of the subpoena); *Ninth Circuit Holds that Grand Jury Can Subpoena Protected Foreign Documents*, 124 HARV. L. REV. 2099 (2011).
72. *See Grand Jury*, *supra* note 32, 286 F.3d at 162 (“Such a rigid test ignores ‘idiosyncratic circumstances’”) (quoting *Roach*, *supra* note 32, 138 F.3d at 445).
73. *Eastern*, *supra* note 43, 945 F.2d at 1224 (quoting *Martindell*, *supra* note 43, 594 F.2d at 295 (quotation marks omitted)).
74. *Martindell*, *supra* note 43, 594 F.2d at 295-96 (“Unless a valid Rule 26(c) protective order is to be fully and fairly enforceable, witnesses relying upon such orders will be inhibited from giving essential testimony in civil litigation, thus undermining a procedural system that has been successfully developed over the years for disposition of civil differences.”); *see also Eastern*, *supra* note 43, 945 F.2d at 1222, 1225 (noting that the parties in the bankruptcy proceeding had expressed to the examiner “that they would not voluntarily produce documents or witnesses unless the information obtained would be kept confidential and used only in the bankruptcy proceeding”).
75. *Supra* note 2, 627 F.3d at 1143.
76. Brief for the United States in Opp’n to Writ of Certiorari at 16–27, *White & Case II*, *supra* note 2, 131 S. Ct. 3061 [hereinafter *White & Case II* DOJ Brief].

77. See generally *id.*
78. *Branzburg v. Hayes*, 408 U.S. 665, 688 (1972).
79. *United States v. Calandra*, 414 U.S. 338, 343 (1974).
80. *Branzburg*, 408 U.S. at 688, 701.
81. See *United States v. Williams*, 504 U.S. 36, 50 (1992).
82. *Cnty. Sav. & Loan*, *supra* note 15, 836 F.2d at 1475.
83. See *United States v. Borden Co.*, 347 U.S. 514, 518 (1954) (private litigants merely “supplement[] government enforcement of the antitrust laws”).
84. *Williams*, *supra* note 4, 995 F.2d at 1017. Less convincingly, the DOJ also argued that permitting a protective order to block a grand jury subpoena would amount to an effort to create a “de facto immunity,” which would subvert the power of the Executive Branch, whose sole prerogative it is to grant immunity. See, e.g., *Cnty. Sav. & Loan*, *supra* note 15, 836 F.2d at 1475. The argument is less convincing because enforcing the protective order does not preclude the grand jury from indicting any person under investigation, but merely limits the evidence on which to base the indictment and from which to prove the charge at trial. This circumstance is no different than it would be if there were no related civil litigation at all, and, in consequence, no foreign documents located in the United States available to be subpoenaed. One district court recently rejected the DOJ’s “immunity” argument. *In re Aftermarket Auto. Lighting Products Antitrust Litig.*, No. 09-MDL- 2007 GW(PJWx) (C.D. Cal. June 21, 2012) (No. 470 at 9 n.7) (granting motion to vacate stay).
85. See *Branzburg*, 408 U.S. at 696 (efforts to “conceal information relevant to commission of crime have very little to recommend them from the standpoint of public policy”); cf. *Martindell*, *supra* note 43, 594 F.2d at 297 n.8 (difficult to justify relying on a protective order to shield “pre-existing documents from disclosure to the Government,” even more so than giving “no testimony at all” in reliance on the Fifth Amendment).
86. FED. R. CIV. P. 26(c)(1).
87. *In re Grand Jury Subpoena Directed to Marc Rich & Co., A.G.*, 707 F.2d 663, 667 (2d Cir. 1983).
88. *In re Grand Jury Subpoena addressed to First Nat’l City Bank*, 396 F.2d 897, 900-01 (2d Cir. 1968).
89. See *White & Case*, *supra* note 2, 627 F.3d at 1144 (“No authority forbids the government from closing its grip on what lies within the jurisdiction of the grand jury.”).
90. See *Trade Secrets*, *supra* note 6, 646 F.3d at 166 (where subpoenaed documents “were already located in the United States...[.]” the government had not unreasonably circumvented mutual assistance treaty or geographical limits on subpoena power).
91. *White & Case II DOJ Brief*, *supra* note 76, at 24; see *Trade Secrets*, *supra* note 6, 646 F.3d at 165.
92. *White & Case II DOJ Brief*, *supra* note 76, at 26 (quoting *In re: Flat Glass Antitrust Litigation (II)*, No. 08-mc-180 (W.D. Pa. Oct. 8, 2009) (No. 200) (“Confidentiality is one of the hallmarks of leniency programs, and a lack of confidentiality is a major disincentive to leniency applications”)); see also ORG. FOR ECON. CO-OPERATION AND DEV., *HARD CORE CARTELS: THIRD REPORT ON THE IMPLEMENTATION OF THE 1998 RECOMMENDATION*, at 35 (2005) (in leniency context, establishing “Best Practices” to safeguard confidential business information from unauthorized disclosure) available at <http://www.oecd.org/competition/cartels/2752129.pdf>.
93. *White & Case II DOJ Brief*, *supra* note 76, at 26; see also Brief for the United States as Amicus Curiae Supporting Petitioners, *F. Hoffman-La Roche Ltd. v. Empagran, S.A.*, 542 U.S. 155 (2004) (No. 03-724), at 22 (effective enforcement requires “coordination of investigative strategies” across multinational agencies, and such “cooperative relationships depend on mutual good will and reciprocity”); Ass’t Att’y Gen’l R. Hewitt Pate, *Current Issues in International Antitrust Enforcement*, Remarks Before the Fordham Corporate Law Institute (Oct. 7, 2004), available at <http://www.justice.gov/atr/public/speeches/206479.htm> (“Comity—a certain degree of trust in each other’s systems—...will become even more important as antitrust enforcement regimes spread around our shrinking world.”).
94. See *Fisher v. United States*, 425 U.S. 391, 403 (1976) (“Confidential disclosures by a client... made in order to obtain legal assistance are privileged.”).
95. *White & Case II DOJ Brief*, *supra* note 76, at 27–28; see *In re Thirteen Grand Jury Subpoenas to Angelo D’Acunto for the Prod. of Documents*, Nos. CV-88-1226, CV-88-1225, 1988 U.S. Dist. LEXIS 9271, at *2 (E.D.N.Y. Apr. 17, 1988) (Privilege requires that the “content” of subpoenaed documents in law firm’s possession must “contain... confidential communications made for the purpose of obtaining legal advice[.]”).
96. See, e.g., *Colton v. United States*, 306 F.2d 633, 639 (2nd Cir. 1962) (“Insofar as the papers include pre-existing documents and financial records not prepared by the [clients] for the purpose of communicating with their lawyers in confidence, their contents have acquired no special protection from the simple fact of being turned over to an attorney. It is only if the client could have refused to produce such papers that the attorney may do so when they have passed into his possession.”), *cert. denied*, 371 U.S. 951 (1963). See also *Fisher*, *supra* note 94, 425 U.S. at 403-04 (1976).
97. *White & Case II DOJ Brief*, *supra* note 76, at 20 (“Despite the frequency of such parallel litigation, the question presented here [concerning a grand jury subpoena calling for the production of material covered by a civil protective order] rarely arises.”).
98. *Williams*, *supra* note 4, 995 F.2d at 1018 n.11 (11th Cir. 1993); see also *Cnty. Sav. & Loan*, *supra* note 15, 836 F.2d at 1477 (4th Cir. 1988).
99. See generally FED. R. CRIM. P. 6(e).
100. See 18 U.S.C. § 1905 (2008) (the federal Trade Secrets Act, which subjects federal officials to criminal prosecution for unlawful disclosure).
101. UNITED STATES DEP’T OF JUSTICE, ANTITRUST DIVISION MANUAL, at III-18 (4th ed. July 2009), available at <http://www.justice.gov/atr/public/divisionmanual/chapter3.pdf>.
102. See, e.g., *Cargill, Inc. v. Monfort of Colo., Inc.*, 479 U.S. 104, 129 (1986) (“Effective enforcement of the antitrust laws has always depended largely on the work of private attorney generals, for whom Congress made special provision in the Clayton Act itself.”); *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 131 (1969) (private antitrust actions are integral to the Congressional scheme to further “the high purpose of enforcing the antitrust laws”).
103. Under 15 U.S.C. § 16(a), a favorable final judgment in an antitrust action by the United States affords private plaintiffs the benefit of a prima facie estoppel effect. Also, a guilty plea will likely be admissible in civil litigation as an admission of a party opponent. See, e.g., *United States v. Reed*, 227 F.3d 763, 770 (7th Cir. 2000); FED. R. EVID. 801(d)(2). A judgment of conviction either on a plea or after trial will have conclusive effect as to, at least those matters actually litigated, and perhaps those that could have been litigated as well. See generally *New York v. Julius Nasso Concrete Corp.*, 202 F.3d 82, 86 (2d Cir. 2000) (a jury verdict in the DOJ’s prior criminal antitrust case had “preclusive effect” in a later related civil action); *In re Raiford*, 695 F.2d 521, 523 (11th Cir. 1983) (citing authorities); cf. *Parklane Hoisery Co. v. Shore*, 439 U.S. 322, 326-33 (1979) (a finding in a prior action by the SEC that the defendant violated the securities laws foreclosed the defendant from disputing the facts forming the basis of the violation in a subsequent private securities action).
104. See, e.g., *Pagtalunan v. Galaza*, 291 F.3d 639, 643 (9th Cir. 2002) (“Unnecessary delay inherently increases the risk that witnesses’ memories will fade and evidence will become stale.”); *Abraham v. Aquilone*, No. 11 Civ. 5947 (KBF), 2012 U.S. Dist. LEXIS 70205, at *6 (S.D.N.Y. May 15, 2012) (noting the risk that witness memories fade over time).
105. See generally 28 U.S.C. § 1407 (1976).

106. See *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007); *Ashcroft v. Iqbal*, 556 U.S. 662 (2009).
107. See 15 U.S.C. §§ 77z-1(b), 78u-4(b)(3)(B) (1998).
108. Cf. *In re Processed Egg Prods. Antitrust Litig.*, No. 2:08-md-02002 (E.D. Pa. Dec. 12, 2008) (No. 3) (discovery stayed in initial case management order).
109. See, e.g., *Flat Panel*, *supra* note 2, (N.D. Cal. filed Sept. 25, 2007) (granting DOJ stay motion); Bradley S. Lui, Eugene Illovsky & Jacqueline Bos, *Increased DOJ Intervention to Stay Discovery in Civil Antitrust Litigation*, 8 ABA ANTITRUST LITIGATOR 1 (Spring 2009).
110. See, e.g., *In Re: Aftermarket Auto. Lighting Prods. Antitrust Litig.*, No. 2:09-md-02007-GW-PJW (C.D. Cal. filed Jan. 12, 2012 and July 16, 2012) (Nos. 424 and 474) (granting, and thereafter declining to extend, a post-indictment stay) and (C.D. Cal. filed Apr. 4, 2009) (No. 54) (granting a stay during the grand jury investigation).
111. See, e.g., *In re Graphics Processing Units Antitrust Litig.*, No. M:07-cv-01826-WHA (N.D. Cal. filed July 24, 2007) (No. 174) (staying discovery on motion by defendants under criminal investigation by Antitrust Division); *In re: Parcel Tanker Shipping Svc. Antitrust Litig.*, No. 3:03MD1568 (AVC) (D. Conn. filed Oct. 21, 2004) (No. 91) (staying discovery of documents not previously produced to the grand jury).
112. See *Standard Sanitary Mfg. Co. v. United States*, 226 U.S. 20, 52 (1912) (“[a]n imperative rule that the civil [antitrust] suit must await the trial of the criminal action might result in injustice or take from the statute a great deal of its power”); *Keating v. Office of Thrift Supervision*, 45 F.3d 322, 326 (9th Cir. 1995) (“Not only is it permissible to conduct a civil proceeding at the same time as a related criminal proceeding, even if that necessitates invocation of the Fifth Amendment privilege, but it is even permissible for the trier of fact to draw adverse inferences from the invocation of the Fifth Amendment in a civil proceeding.”).
113. See Pet. for a Writ of *Certiorari*, *supra* note 66, at 15–16.
114. See *supra* Section II.A.
115. See, e.g., *Nat’l Hockey League v. Metro. Hockey Club*, 427 U.S. 639 (1976) (*per curiam*).
116. *Trade Secrets*, *supra* note 6, 646 F.3d 159.

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