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Utilizing U.S. Discovery in Foreign Proceedings: Leverage and Defense Tactics Under 28 U.S.C. § 1782

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ACC Association of Corporate Counsel

- Is your company or a parent or subsidiary of your company a participant in patent opposition proceedings or a party to license disputes, patent infringement disputes, or arbitration outside the U.S.?
  - Yes
  - No
  - Don’t know

- Has your company ever been the recipient of U.S. discovery requests based on any of the foregoing activities?
  - Yes
  - No
  - Don’t know

- Has your company ever submitted U.S. discovery requests to another U.S. company based on any of the foregoing activities?
  - Yes
  - No
  - Don’t know

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28 U.S.C. § 1782: Assistance To Foreign & International Tribunals and To Litigants Before Such Tribunals

"The district court of the district in which a person resides or is found may order him to give his testimony or statement or to produce a document or other thing for use in a proceeding in a foreign or international tribunal, including criminal investigations conducted before formal accusation."

"The order may be made pursuant to a letter rogatory issued, or request made, by a foreign or international tribunal or upon the application of any interested person and may direct that the testimony or statement be given, or the document or other thing be produced, before a person appointed by the court."

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What Is The Purpose Of Section 1782?

Authorizes a district court to compel discovery against an entity located within its district for use in a foreign judicial proceeding.

Section 1782 purports to:

(1) provide efficient assistance to participants in international litigation; and

(2) encourage foreign countries to provide similar assistance to U.S. courts.

Advanced Micro Devices, Inc. v. Intel Corp., 292 F.3d 664, 669 (9th Cir. 2002), *aff'd*, *Intel Corp. v. Advanced Micro Devices, Inc.*, 542 U.S. 241 (2004).

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Statutory Requirements For Section 1782

Schmitz v. Bernstein Liebhard & Lifshitz, LLP, 376 F.3d 79, 83 (2d Cir. 2004).

(1) The discovery is sought from a person who resides or is "found" in the district.

- Applies to legal entities and actual people.
- Applies to persons who are not parties to the proceeding, such as a U.S. subsidiary.
  - *See Application of Consorcio Ecuatoriano de Telecomunicaciones S.A. v. JAS Forwarding (USA), Inc.*, 747 F.3d 1262, 1267 (11th Cir. 2014).
- Most likely applies to a party to the proceeding if the foreign court does not have authority to compel the party to produce the discovery sought.
  - *See Cryolife, Inc. v. Tenaxis Med., Inc.*, No. C08-05124 HRL, 2009 WL 88348, at *2 (N.D. Cal. Jan. 13, 2009) (granting petition for discovery from a party).

What Does It Mean To Be "Found" In A District?

- For compelling testimony from a person, mere physical presence in the district, even if temporary, is sufficient.
  - Person who lived and worked in France was "found" in New York while visiting an art gallery and subjected to discovery.
    - *See In re Edelman*, 295 F.3d 171 (2d Cir. 2002).
  - Third party who did not reside in the district was subjected to discovery when he accepted service of a subpoena through his New York based attorney.
    - *See In re Coal. to Protect Clifton Bay*, No. 14mc258 (DLC), 2014 WL 5454823 (S.D.N.Y. Oct. 28, 2014).

What Does It Mean To Be "Found" In A District?

- A business will likely be "found" in a district if it would be subject to personal jurisdiction in that district based on its activities there, even if it is incorporated or headquartered outside the district.
  - *See, e.g., In re Application of Inversiones y Gasolinera Petroleos Valenzuela, S. de R.L.*, No. 08-20378-MC, 2011 WL 181311, at *8 (S.D. Fla. Jan. 19, 2011) (Exxon is "found" in the Southern District of Florida under Section 1782, even though its headquarters and place of incorporation are not in that district).

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What Does It Mean To Be “Found” In A District?

- Courts are split on whether Section 1782 can reach documents located outside of the United States from a corporation that is “found” in a district.
  - *See Norex Petroleum Ltd. v. Chubb Ins. Co. of Can.*, 384 F. Supp. 2d 45 (D.D.C. 2005) (court rejected a request to subpoena a U.S. company to produce documents located outside the U.S. and belonging to the U.S. company’s UK-based corporate parent).
  - *But see In re Gemeinshcaftspraxis Dr. Med. Schottdorf*, No. Civ. M19-88 (BSJ), 2006 WL 3844464 (S.D.N.Y. Dec. 29, 2006) (finding it within district court’s discretion to compel production of documents located abroad).

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Statutory Requirements For Section 1782

Schmitz v. Bernstein Liebhard & Lifshitz, LLP, 376 F.3d 79, 83 (2d Cir. 2004).

(2) The discovery is for use in a proceeding before a foreign tribunal.

- "Discovery" includes documents and depositions and is conducted according to the Federal Rules of Civil Procedure.
- Requested discovery must be sought for use in a foreign proceeding.
- Requested discovery may be limited to subjects bearing upon the issues in the foreign proceeding.
  - *See Cryolife, Inc. v. Tenaxis Med., Inc.*, No. C08-05124 HRL, 2009 WL 88348, at *7-8 (N.D. Cal. Jan. 13, 2009) (Düsseldorf Regional Court) (limiting request for discovery regarding "sales and marketing-related activities" to documents sufficient to prevent defendant from contesting offer for sale in Germany because "under German procedure, this essentially is damages-related information to which [petitioner] would not be entitled unless and until the German court finds that there has been infringement.").
- Discovery properly obtained through Section 1782 may later be used in U.S. litigation.
  - *See Glock v. Glock, Inc.,* 797 F.3d 1002 (11th Cir. 2015).

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What Does “For Use In A Proceeding” Mean?

- The information must have some relevance to the subject matter involved in the foreign proceeding.
  - *See Fleischmann v. McDonald’s Corp*., 466 F. Supp. 2d 1020, 1029 (N.D. Ill. 2006).
- It is not relevant whether the foreign tribunal will admit the evidence.
  - *See Brandi-Dohrn v. IKB Deutsche Industriebank AG*, 673 F.3d 76, 82 (2d Cir. 2012).
- The information is “for use” so long as the foreign tribunal has not closed the case to submission of evidence.
  - *See Chevron Corp. v. Shefftz*, 754 F. Supp. 2d 254, 260 (D. Mass. 2010).

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What Does “For Use In A Proceeding” Mean?

- Allowed even when an action at a foreign tribunal is not pending or imminent so long as it is “within reasonable contemplation.”
  - *See Intel*, 542 U.S. at 259.
  - *See JAS Forwarding*, 747 F.3d at 1265 (lawsuit against two former employees was within reasonable contemplation).
  - *See Akebia Therapeutics, Inc. v. FibroGen, Inc.*, 793 F.3d 1108, 1111 (9th Cir. 2015) (allowed discovery in opposition proceedings at the EPO and JPO for pending and possible future adversarial petitions).

What Does "Foreign Tribunal" Mean?

- "Tribunal" was substituted for "court" in the 1964 amendments to the statute to "make it clear that assistance is not confined to proceedings before conventional courts."
  - *See* S. Rep. No. 88-1580 (1964), *reprinted in* 1964 U.S.C.C.A.N. 3782, 3788, 1964 WL 4882.
- "[I]nvestigating magistrates, administrative and arbitral tribunals, and quasi-judicial agencies, as well as conventional civil, commercial, and administrative courts."
  - *Intel*, 542 U.S. at 258.
- Administrative and quasi-judicial bodies such as EPO and JPO.
- Intergovernmental arbitration tribunals, such as NAFTA, LCIA, and UNCITRAL.
  - *See JAS Forwarding*, 747 F.3d at 1267-68; *In re Pinchuk*, No. 13-CIV-22857, 2014 WL 1745047 (S.D. Fla. Apr. 30, 2014); *In re Application of Mesa Power Grp., LLC*, 878 F. Supp. 2d 1296 (S.D. Fla. 2012).

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What Does "Foreign Tribunal" Mean?

- May include private international arbitration.
  - *See In re Oxus Gold PLC*, No. 06-82-GEB, 2007 WL 1037387 (D.N.J. Apr. 2, 2007) (arbitration between two private litigants is conducted within a framework defined by two nations and governed by UNCITRAL, so the arbitration panel is a foreign tribunal).
  - *In re Application of Roz Trading Ltd.*, 469 F. Supp. 2d 1221 (N.D. Ga. 2006) (allowed production of documents in private arbitration proceedings in Vienna to avoid imposing impermissible judicial limitations into the text).
  - *But see NBC v. Bear Stearns & Co.*, 165 F.3d 184 (2d Cir. 1999); *Republic of Kaz. v. Biedermann Int'l*, 168 F.3d 880 (5th Cir. 1999) (private commercial arbitrations excluded in Second and Fifth Circuits).

Statutory Requirements For Section 1782

Schmitz v. Bernstein Liebhard & Lifshitz, LLP, 376 F.3d 79, 83 (2d Cir. 2004).

(3) The applicant is an "interested person" before such foreign tribunal.

- Parties to the foreign proceeding.
- Someone who has a role in submitting evidence and has participation rights in the foreign tribunal because he or she has "a reasonable interest in obtaining judicial assistance."
  - *Intel*, 542 U.S. at 256 (internal citation and quotation marks omitted).
- Can be the foreign tribunal itself.
- Can be the United States and foreign governments, even though the United States and foreign sovereigns cannot be a "person" that resides or is "found" within the district.
  - *See Al Fayed v. CIA*, 229 F.3d 272, 275 (D.C. Cir. 2000).

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Statutory Requirements For Section 1782

Schmitz v. Bernstein Liebhard & Lifshitz, LLP, 376 F.3d 79, 83 (2d Cir. 2004).

"[A] person may not be compelled to give his testimony or statement or to produce a document or other thing in violation of any legally applicable privilege."

- Includes U.S. federal and constitutional privileges, as well as privileges provided under foreign law.
- For foreign privilege, the burdened party must offer "authoritative proof" that the foreign law contains the privilege invoked and applies to the circumstances involved.
  - *Ecuadorian Plaintiffs v. Chevron Corp.,* 619 F.3d 373, 378 (5th Cir. 2010).

Discretionary Factors For Section 1782

- Once a court determines that the petitioner has satisfied the statutory requirements, the court has the discretion to grant or deny the application.
- The Supreme Court in *Intel* specified four factors that a court must consider when determining whether it should exercise its discretion to lend its assistance.
  - *Intel*, 542 U.S. at 264-65.
- No one factor is dispositive, and a party does not need to meet all four factors to obtain discovery.

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Factor (1) – Party v. Non-Party

Intel Corp. v. Advanced Micro Devices, Inc., 542 U.S. 241, 264 (2004).

(1) Whether "the person from whom discovery is sought is a participant in the foreign proceeding."

- If the discovery sought is within the jurisdiction of the foreign tribunal and accessible without relying on Section 1782, then the need is not as strong.
- If the foreign tribunal's rules prevent it from obtaining the evidence from the party, then reliance on Section 1782 may be warranted.

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Factor (2) – Receptivity Of The Foreign Tribunal

Intel Corp. v. Advanced Micro Devices, Inc., 542 U.S. 241, 264 (2004).

(2) "[T]he nature of the foreign tribunal, the character of the proceedings underway abroad, and the receptivity of the foreign government or the court or agency abroad to U.S. federal-court judicial assistance."

- The presumption is in favor of foreign tribunal receptivity.
  - *In re Owl Shipping, LLC*, No. 14-5655 (AET)(DEA), 2014 WL 5320192, at *3 (D.N.J. Oct. 17, 2014).
- To overcome the presumption, there must be authoritative proof that the foreign tribunal would reject the evidence sought under Section 1782.
  - *See, e.g.*, *Schmitz*, 376 F.3d at 84 (affirming denial of discovery where German government expressly objected to the requested discovery).

Factor (3) – Requests Aimed To Circumvent Discovery Rules Of The Foreign Tribunal

Intel Corp. v. Advanced Micro Devices, Inc., 542 U.S. 241, 264-65 (2004).

(3) Whether the discovery request is "an attempt to circumvent foreign proof-gathering limits or other policies of a foreign country or the United States."

- Attempts to bypass foreign proof-gathering restrictions, limitations, and procedures or other policies of a foreign tribunal are unlikely to be granted.
  - *In re Application of Microsoft Corp*., No. 06-10061-MLW, 2006 WL 1344091, at *3–4 (D. Mass. Apr. 17, 2006).
- Once a *prima facie* need for discovery under Section 1782 is demonstrated, the burden shifts to the opponent to show the application is an attempt at circumvention.
  - *Heraeus Kulzer, GmbH v. Biomet, Inc.*, 633 F.3d 591, 597 (7th Cir. 2011).

Factor (3) – Requests Aimed To Circumvent Discovery Rules Of The Foreign Tribunal – Cont.

Intel Corp. v. Advanced Micro Devices, Inc., 542 U.S. 241, 264-65 (2004).

- It is not necessary to seek discovery from the foreign tribunal first.
  - *In re Imanagement Servs.*, No. Misc. 05-89 (FB), 2005 WL 1959702, at *5 (E.D.N.Y. Aug. 16, 2005).
- Applications may be made *ex parte* directly to a district court, without advance notice to the target of discovery or parties in the foreign proceeding.
  - *See In re Imanagement Servs.*, 2005 WL 1959702, at *5, note 6.
- Relief is not precluded because the foreign country does not have a reciprocal agreement.
  - *See In re Malev Hungarian Airlines*, 964 F.2d 97, 101 (2d Cir. 1992), *cert. denied*, 506 U.S. 861 (1992).

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Factor (4) – Undue Intrusion Or Burden

Intel Corp. v. Advanced Micro Devices, Inc., 542 U.S. 241, 265 (2004).

(4) Whether the discovery requested is "unduly intrusive or burdensome."

- Unduly intrusive or burdensome requests may be rejected or trimmed by the district court.
  - *Roz Trading*, 469 F. Supp. 2d at 1230.
- Factor is intended to protect the burdened party, not interested third parties.
- Requested discovery must be narrowly tailored to relevant information such that it is not a "fishing expedition" and unduly intrusive or burdensome.
  - *See JAS Forwarding,* 747 F.3d at 1268 (court upheld grant of application seeking discovery from U.S. subsidiary because it was narrowly tailored to information about the contract at issue and thus was not unduly intrusive or burdensome).

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Application of Section 1782 In The IP Context

- Document and deposition subpoenas in opposition proceedings at the EPO and JPO (or other tribunals that provide for pending and possible future adversarial petitions).
  - *See Akebia Therapeutics, Inc. v. FibroGen, Inc.*, 793 F.3d 1108 (9th Cir. 2015).
- IP licensing disputes outside the U.S.
  - *See Eco Swiss China Time Ltd. v. Timex Corp.*, 944 F. Supp. 134 (D. Conn. 1996) (licensee sought discovery of another prospective licensee to show whether trademark holder had negotiated in good faith in a Dutch arbitration proceeding).
- Patent infringement disputes outside the U.S.
  - *See Cryolife, Inc. v. Tenaxis Med., Inc.*, No. C08-05124 HRL, 2009 WL 88348 (N.D. Cal. Jan. 13, 2009) (Düsseldorf Regional Court) (petitioner sought documents and testimony concerning respondent's sealant product, which was the subject of a patent infringement action); *In re Iwasaki Elec. Co.*, No. M19-82, 2005 WL 1251787 (S.D.N.Y. May 26, 2005); *In re Procter & Gamble Co.*, 334 F. Supp. 2d 1112 (E.D. Wisc. 2004).

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Protecting Against Section 1782 Discovery: Attack the Statutory Requirements

- Challenge whether the proceeding is before a "tribunal."
  - If the subpoena is for a private arbitration, remember *NBC* and *Biedermann* remain good law and exclude private commercial arbitrations from Section 1782 in the Second and Fifth Circuits.
- Challenge whether the person or company is "found" within the U.S.
- Challenge the relevance of the requested information to the foreign proceeding.
- Demonstrate that the foreign tribunal has closed the case to submission of evidence.
- If the proceeding is not yet pending, demonstrate that it is not "within reasonable contemplation."
- Attack the constitutional basis for Section 1782, as a federal court's jurisdiction is strictly limited to legal disputes "arising under" federal law, diversity of citizenship, or maritime or admiralty causes of action.

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Protecting Against Section 1782 Discovery: Attack the Discretionary Factors

- If the person or company is also a party to the foreign proceeding, challenge the need for discovery under Section 1782.
- Provide authoritative proof that the foreign tribunal would expressly reject the discovery.
- Demonstrate that the discovery request is being used as a fishing expedition.
- Show that the request is unduly intrusive or burdensome, which may be an effective tool to at least have the court trim or more narrowly tailor the request (as discussed in more detail on the next slide).

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Protecting Against Section 1782 Discovery: Limit Application and Scope

- Whenever possible, attach U.S. or foreign privilege to documents that are relevant to proceedings abroad.
- Assert that the discovery demand only applies to documents, witnesses, and things located within the U.S., relying on the courts' differing opinions as to whether Section 1782 has the power to compel production of evidence located outside the U.S.
  - Establish that the documents, witnesses, and things located outside the U.S. are not within the possession or control of an entity located within the district where discovery is sought.
- Seek limits on the number of categories within the discovery request and/or to have the court trim or more narrowly tailor the request to limit the scope of discovery.
- Advocate for a protective order to limit use of the discovery to the particular foreign proceeding and to maintain confidentiality (but *see Glock*).

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Best Practices For Successful Discovery Demands Under Section 1782

- If the subpoena is for a private arbitration, try to position yourself in the Eleventh Circuit, which is the only circuit that has expressly held that Section 1782 applies in this context.
- Depending on the foreign tribunal, consider foregoing asking the foreign tribunal for discovery so that the record is silent as to the foreign tribunal's position.
- Unlikely to get a second bite at the apple (at least in front of the same court), so ensure the discovery request is:
  - (1) tailored to obtain information relevant to the foreign proceeding; and
  - (2) sufficiently specific (without being overly narrow) to show that the request is not a fishing expedition and avoid having the request unduly narrowed or trimmed by the court.

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Questions?

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