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Another reason to coordinate discovery in parallel litigation – circumvention in section 1782 requests

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The pressures of global litigation have forced litigants to further consider how, when, and where they will obtain discovery. Under developing case law, litigants involved in related litigations in different venues should consider coordinating discovery between venues. Effectively coordinating discovery can mean the difference between successfully obtaining useable information and having your cases stall while each court waits for another to make a decision. A recent example of the need to coordinate discovery comes from a decision by a United States district court in the ongoing patent disputes between Samsung and Apple. The decision highlights the need for effective coordination of international discovery requests and the utility of an under-used statutory provision for obtaining evidence located in the US.

Litigants have options for obtaining evidence located in the United States for use in their proceedings abroad. Notably, the United States is a signatory to the Hague Evidence Convention. There may be advantages, however, to using a less commonly invoked US statutory provision instead: 28 USC section 1782. Like The Hague Convention, section 1782 allows litigants to seek discovery for use in foreign tribunals. But unlike the convention, section 1782 typically does not require the party to first request discovery from a tribunal outside the US and can permit discovery before a commencement of a lawsuit outside the US. The jurisprudence interpreting section 1782 is conducive to international requests for judicial assistance, provided some prerequisites are satisfied and factors are met.

There are three statutory prerequisites for the use of section 1782:

- the party from whom discovery is sought must be within the court's district;
- the discovery must be for use in a proceeding before a foreign tribunal; and
- the application is made by a foreign or internal tribunal or any interested person.¹

Even if these prerequisites are met, however, the court is not required to permit discovery. Section 1782 merely grants the court discretion to do so.²

The US Supreme Court has set forth four factors (called the *Intel* factors) that a court should consider in determining whether to exercise its section 1782 authority:

- whether the material sought is within the foreign tribunal's jurisdictional reach and thus accessible absent aid;
- the 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 US federal court jurisdictional assistance;
- whether the request conceals an attempt to circumvent foreign proof-gathering restrictions or other policies of a foreign country or the United States; and
- whether the subpoena contains unduly intrusive or burdensome requests.³

By weighing these four *Intel* factors, courts balance whether they should exercise their power to grant discovery or force the litigants to pursue other options.

A short chapter in the multinational patent battle between Apple and Samsung raised some interesting aspects of this international judicial assistance alternative. Samsung sought discovery from Apple through a 28 USC section 1782 request in the Northern District of California. More specifically, Samsung requested physical samples of the version of the iPhone featured in two early demonstrations and information regarding the sale, lease, or offer for sale of that phone. The materials requested related to the validity

of Apple's Japanese patent in the Japan case. This type of discovery is fundamental to patent cases. Apple and Samsung also had two related patent disputes being held in the same forum, so the Court was very familiar with the nature of the parties' disputes.

In considering the request, United States Magistrate Judge Paul Grewal began his analysis with the Court's authority to issue a subpoena under section 1782 – whether the request satisfied the statutory prerequisites. He found that Samsung's request satisfied the statutory prerequisites because Apple was within the district, the discovery was sought for a case pending in Japan, and Samsung was an interested party.⁴ The Court then turned to the four *Intel* factors.

Regarding the jurisdictional reach, the Court found that because Apple was a party to the dispute in Japan, it was subject to the Japanese court's jurisdiction. This factor therefore weighed against Samsung's request because there is less need for section 1782 assistance when the requesting party can seek relief from the foreign tribunal. The Court then considered the nature and receptivity of the foreign court, finding this to be a neutral factor because neither party provided sufficient evidence about how receptive the Japanese court would be to the discovery.⁵ For the fourth factor, Samsung's requests were found to be narrowly tailored. This weighed in favour of granting discovery. The third factor, however, was more interesting.

In his analysis of whether the request concealed an attempt to circumvent or shortcut the Japanese courts' system of discovery, Magistrate Judge Grewal noted the timing of the request, which came late in the foreign litigation. That the Japan litigation had been pending for at least a year and a half before Samsung made its section 1782 request weighed against granting discovery. Moreover, Samsung also filed a similar request with the court in Japan for discovery, seemingly in response to Apple's argument that Samsung had failed to make its requests in the Japanese court.⁶ The same discovery issue was therefore simultaneously before both the Japanese court and the US court. As Magistrate Judge Grewal noted, this left the US Court in an awkward position of potentially undermining the foreign court's management of its case. The parallel discovery proceeding therefore weighed against granting discovery.

Accordingly, only one of the four factors weighed in favour of permitting discovery. The Court therefore denied the request, but did so without prejudice to Samsung moving for new consideration once the Japanese court issued its decision.

The outcome of Samsung's request might have been different if it had sought the discovery earlier in the case and had refrained from simultaneously seeking discovery in Japan. Parties seeking discovery under section 1782 should therefore consider carefully coordinating the use of discovery tools in both jurisdictions. For example, seeking discovery in the foreign jurisdiction may initially seem to help show that the section 1782 request is not an attempt to circumvent foreign proof-gathering restrictions and policies under the third *Intel* factor. However, having both the request and an equivalent foreign discovery mechanism pending at the same time can place a United States court in an awkward position where it may decline the request based on the same factor. Moreover, had the foreign tribunal already ruled that the requesting party is not entitled to the information, the section 1782 request might seem calculated to undermine the foreign court's case management. In weighing the options, consider whether the foreign tribunal has a mechanism for obtaining the discovery or if it lacks the power to order the discovery. A section 1782 request might be strengthened in either circumstance.

For litigants facing a section 1782 request, consider filing a motion to quash by challenging the three statutory prerequisites and the four *Intel* factors. In the motion to quash, evaluate the impact of this recent decision on the third *Intel* factor. It seems possible to argue that a party is attempting to circumvent foreign proof-gathering restrictions and policies whether the party has sought discovery with the foreign tribunal or not. If the party has not sought discovery, consider Apple's argument that the request is an attempt to circumvent foreign proof-gathering restrictions and policies. If the party has sought discovery and the foreign court has denied the request or has not yet ruled, consider arguing that the US court should decline the request to avoid potentially undermining the foreign court's management of its case.

Notes

- 1 *In re Republic of Ecuador*, 2010 WL 3702427 at *2 (citing *Intel*, 542 US at 264–65); 28 USC section 1782.
- 2 See *Intel Corp v Advanced Micro Devices, Inc*, 542 US 241, 264 (2004).
- 3 *In re Republic of Ecuador*, 2010 WL 3702427 at *2 (citing *Intel*, 542 US at 264–65).
- 4 *In re Samsung Elecs. Co*, Case No 12-80275 LHK (PSG) (Dkt 16) (23 January 2013).
- 5 Most courts have found that a party opposing a request under section 1782 has the burden of proving that the foreign tribunal would not be receptive to evidence gathered under section 1782. See, for example, *Euromepa SA v R Esmerian, Inc*, 51 F 3d 1095, 1102 (2d Cir 1995); *In re Application of Apple, Inc*, No MISC 12–80013, 2012 WL 1570043, *2 (N D Cal 2 May 2012); *In re Gushlak*, No 11–MC–218, 2011 WL 3651268, at *3 (EDNY, 17 August 2011); *In re Republic of Ecuador*, No C–10–80225, 2011 WL 736868, *7 (N D Cal 22 February 2011); and *Cryolife v Tenaxis Medical, Inc*, No C–08–5124, 2009 WL 88348, *3

(N D Cal 13 January 2009). Recently, however, at least one judge found that the case law was neither clear, nor binding regarding which party bears the burden of proving that the foreign tribunal would not be receptive to the evidence. *In re Cathode Tube Antitrust Litigation*, No C-07-5944, 2013 WL 183944, at *3 (N D Cal 17 January 2013).

6 These facts can be argued multiple ways. On one hand, exhaustion of discovery procedures in the foreign tribunal may not be required before seeking a section 1782 request. See *Euromepa SA v R Esmerian, Inc*, 51 F 3d 1095, 1098 (2d Cir 1995). On the other hand, failure to seek discovery earlier in the foreign tribunal may suggest that a litigant is trying to circumvent or shortcut the requirements of the foreign tribunal. See *In re Digitechnic*, Case No C07-414-JCC, 2007 WL 1367697, at * 4 (W D Wash 8 May 2007) (the failure by a party seeking discovery under section 1782 to attempt discovery in a foreign proceeding supported denying discovery under the *Intel* factors).

Confirming ICSID awards in US courts over sovereign objections: *Duke and Blue Ridge*

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Earlier this year, Argentina announced its intention to withdraw from the International Centre for Settlement of Investment Disputes (ICSID), making it the fourth Latin American country to do so and signaling a growing resistance to the obligations imposed by the international arbitration regime – namely, treating ICSID awards as binding and immediately enforceable in any signatory state. Alongside the public denunciations, certain signatory states have directly challenged ICSID’s authority by raising various and novel defences to the confirmation and enforcement of ICSID awards in other signatory states, particularly in the US. Despite this trend, recent federal court decisions illustrate the US judiciary’s resolve to uphold ICSID awards and resist sovereign attempts to evade pecuniary obligations imposed by ICSID awards.

The ICSID Convention and the US federal implementing statute

Resort to the ICSID system is voluntary and requires consent by both investors and

signatory states to the ICSID Convention (the ‘Convention’) but once consent is given, the obligations under the Convention become mandatory and the outcomes of the arbitration binding. It is this feature that is perhaps the most defining of the ICSID system: national courts may not intervene in an ICSID proceeding and awards are binding and enforceable in all signatory states. Indeed, when drafting the Convention, its authors repeatedly emphasised the binding nature of the arbitral award, believing it to be essential in instilling party confidence in the neutrality and efficacy of the process. As Aaron Broches, the ‘father’ of the ICSID Convention, explained, drafters of the Convention sought to create “a complete, exclusive and closed jurisdictional system, insulated from national law” with respect to the arbitration proceedings, awards, and review of award.¹

The Convention’s provisions concerning the binding force and finality of ICSID awards appear in Chapter IV, section 6 of the Convention, Articles 53 and 54:

- Article 53(1) provides that ICSID awards: ‘shall be binding on all parties and shall