

IP Owners in Foreign Proceedings May Force the Disclosure of Information Inside the United States

by Christopher P. Foley



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In the global economy of the 21st century, geographic boundaries set no barriers to consumer interest in innovation. The latest iPad computer attracts as many customers in Osaka, Japan, as in Columbus, Ohio. Similarly, the introduction of Nike's "Galaxy Foamposite" causes raucous lines at midnight in Orlando and sellouts in stores around the world. One feature common to Apple's iPad and Nike's Galaxy sneakers is their intellectual property, which is constrained by regulations that vary from country to country. As innovators market their new products globally, the risk of litigation outside the United States increases. And that litigation quite likely will involve intellectual property — patents, trademarks, and copyrights.

Judicial and administrative proceedings outside the U.S., however, commonly do not provide parties to intellectual property disputes with discovery in order to obtain relevant information about the issues in dispute. Even in countries where some form of discovery exists, courts outside the U.S. most likely cannot exercise jurisdiction over individuals or companies residing in the U.S. In appropriate cases, 28 U.S.C. § 1782 may provide the answer.

Section 1782 authorizes a federal court to permit people involved in legal proceedings outside the U.S. to obtain discovery from people in the U.S. for use in those foreign proceedings.¹ Under this statute, an *ex parte* application may be filed in federal district court seeking documents

or testimony from an individual within the court's jurisdiction for use in a foreign or international tribunal.

The Supreme Court has identified four factors to aid courts in their decisions to grant these applications:

- Whether "the person from whom discovery is sought is a participant in the foreign proceeding [in which case] the need for § 1782(a) aid generally is not as apparent as it ordinarily is when evidence is sought from a nonparticipant in the matter arising abroad";
- 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 U.S. federal-court judicial 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 discovery requests should be scaled back to avoid undue burden. *Intel Corp. v. Advanced Micro Devices, Inc.*, 542 U.S. 241, 264-65 (2004).

While § 1782 is not commonly used in intellectual property proceedings, some parties have found that it provides a very powerful tool.

FG Wilson, a subsidiary of Caterpillar Inc., has been a world leader in the manufacture and sale of diesel and gas-powered generator sets for decades. The company has authorized dealers operating in more than 100 countries worldwide. Without FG Wilson's consent, a U.S. resident fraudulently obtained trademark registrations in Colombia for FG Wilson's name and logo, and transferred the registrations to a Panamanian shell company. The plan was hatched in collusion with others in Colombia for the purpose of negotiating a ransom for rights in the intellectual property.

In response, FG Wilson contemplated petitioning the Colombian Council of State to cancel the third-party registrations. In Colombia, petitions to cancel must be complete when filed. In other words, evidence sufficient to substantiate the registrant's bad faith must accompany the petition. The petitioner also may not take discovery following submission of the petition. Further, the Colombian Council of State cannot exercise jurisdiction over the U.S. resident and require his appearance at a hearing or a deposition, even when the registrant is a Colombian citizen. As a result, the situation was troubling since the registrant had information highly relevant to FG Wilson's anticipated claims. Indeed, the registrant had information about the Colombian kingpin who formed the shell company, about the kingpin's bad-faith intent in engaging in the fraudulent filing scheme, and about the details of how the kingpin directed and orchestrated the scheme.

FG Wilson took a chance and filed an application under 28 U.S.C. § 1782(a) in federal court in Atlanta seeking targeted discovery of the registrant, a Georgia resident, for use in the Colombian proceeding. *In re Application of FG Wilson (Engineering) Limited for Order to Obtain Discovery for Use in a Proceeding Before the Colombian Council of State*, 09-mi-0519, N.D. Ga. (Dec. 2, 2009). The district court promptly granted the *ex parte* application, and the third-party registrant immediately sought reconsideration. In particular, the registrant maintained that the court committed a manifest error of law in its order by holding that the Supreme Court in *Intel* required there to be a dispositive ruling in an already pending proceeding. But when viewed in the context of the rest of the 30-plus page *Intel* decision, the only reasonable interpretation of that language is that a dispositive ruling be "within reasonable contemplation."

The *Intel* case involved the filing of an antitrust complaint before a European agency. 542 U.S. at 254. The complaint did not mark the commencement of an action against Intel; rather, it merely began an investigation by the agency with which the complaint was filed. *Id.* Accordingly, the Supreme Court was concerned with whether a dispositive ruling was within reasonable contemplation because that would be the point at which a proceeding could be initiated. But in *FG Wilson* the dispositive-ruling language did not apply because the filing of the Colombia proceeding was the relevant trigger point (i.e., there was no dispositive motion that needed to be decided before FG Wilson's action before the

Colombia Council of State could be initiated) and the filing of that proceeding was clearly within reasonable contemplation. In fact, dispositive rulings were already issued by the Colombian Trademark Office in granting registrations, which gave rise to FG Wilson's ability to appeal those decisions to the Colombia Council of State.

The registrant in *FG Wilson* also maintained that proceedings before the Colombian Council of State were not judicial in nature. The Supreme Court in *Intel*, however, specifically discussed legislative history on expanding § 1782 to administrative and quasi-judicial proceedings. The Supreme Court pointed out that Congress recognized that judicial assistance would be available whether the foreign or international proceeding or investigation is of a criminal, civil, administrative, or other nature. *Id.* at 258-59. Therefore, the Supreme Court specifically considered the issue of whether a proceeding of any nature needed to be pending to invoke § 1782, not just whether a judicial proceeding needed to be pending.

Furthermore, in response to the question of whether a proceeding before a foreign tribunal must be pending or at least imminent for an applicant to successfully invoke § 1782(a), the Supreme Court answered, unequivocally, "no."²

Following the approach in *Intel*, the federal district court in Atlanta rejected the motion for reconsideration and granted FG Wilson's application for *ex parte* discovery, thus ordering the registrant to appear for a deposition and produce documents. Through the deposition, FG Wilson gained conclusive evidence that the registrant registered the FG WILSON trademark in Colombia in bad faith, and that evidence was available for use in the Colombian proceeding. In addition, based on the registrant's failure to produce documents, FG Wilson succeeded in a motion for con-

The Intel case involved the filing of an antitrust complaint before a European agency.

tempt. The Court ordered the registrant to produce his computer and other electronic data to an independent forensics expert for mirror imaging. The data responsive to FG Wilson's subpoena was produced to FG Wilson for use in the Colombian proceeding.

As a result of the *ex parte* discovery of the registrant, FG Wilson obtained sufficient infor-

mation to establish a connection between the registrant and a disgruntled former distributor of FG Wilson products in Colombia, now residing in Florida, who continued to operate an electric-generator-supply company in Colombia. Additional § 1782 discovery was ordered to be produced by the disgruntled distributor and his wife, a company executive. *In re Application of FG Wilson (Engineering) Limited (Ex Parte Order – Luis Eduardo Lopez Vargas)*, 10-mc-20839, M.D. Fla. (2010); *In re Application of FG Wilson*

Section 1782 discovery is equally available in disputes involving patents and copyrights.

(*Engineering) Limited (Ex Parte Order - Carmen Consuelo Moreno Rojas)*, 10-mc-20842, M.D. Fla. (2010). Eventually, the intellectual property was transferred to FG Wilson.

Section 1782 discovery is equally available in disputes involving patents and copyrights. For example, American Petroleum Institute (API) obtained an *ex parte* order to obtain discovery requiring Google Inc., a resident of Mountain View, California, to provide targeted documents for use in connection with six copyright, trademark, and/or unfair-competition actions in China. *In re Ex Parte Application of American Petroleum Institute for Order to Obtain Discovery for Use in Foreign Proceedings*, Case No.: C11-80008 JF (PSG) (N.D. Cal. Apr. 7, 2011). In granting the subpoena, the court concluded that it had the authority to issue the subpoena, and the Supreme Court's discretionary factors in *Intel* strongly favored issuance.

Among other things, the complaints in API's cases in China alleged that a company doing business under the name Engineeringsky engaged in copyright infringement, trademark infringement, and unfair competition by using API's trademarks without authorization and by offering unauthorized and infringing copies of API's standards, specifications, and recommended-practices publications on its website in violation of API's copyrights. Engineeringsky conducted its business online and advertised its engineeringsky.com website online via Google. Specifically, Engineeringsky had one or more "sponsored-link advertisements" it created using Google's advertising services. Google distributed Engineeringsky's

sponsored-link advertisements on Google's main google.com website.

Because Engineeringsky advertised its online business via Google, API reasonably believed that Google had information relevant to API's actions against Engineeringsky in China. Thus, API sought limited discovery of Google under § 1782(a), including documents sufficient to identify Engineeringsky's sponsored-link advertisements distributed by Google, Engineeringsky's payments to Google (as charged on a cost-per-click basis), the publishers' websites on which Engineeringsky's sponsored-link advertisements appeared, the publishers' names, and the amounts of Google's payments to the publishers. These documents were relevant to API's copyright, trademark, and unfair-competition actions in China because, among other things, they would show that Engineeringsky engaged in trademark infringement by prominently using the API trademark in its advertisements without authorization from API, that Internet users were diverted to the infringing engineeringsky.com website, and that API was damaged by Engineeringsky's unlawful activities. Shortly after obtaining the requested discovery from Google, the foreign litigations settled favorably to API.

Patent litigants have also become aware of the advantages of § 1782. The U.S. District Court for Connecticut granted § 1782 discovery to Eli Lilly in connection with a patent-infringement litigation in Canada. *In re Application of Eli Lilly and Company and Eli Lilly, Canada, Inc. for Order to Obtain Discovery for Use in Action Pending Before the Federal Court of Canada*, No. 3:09MC296 (AWT) (Apr. 7, 2011). In the underlying Canadian litigation, Lilly alleged that the defendant Hospira Healthcare Corp. infringed Lilly's patented process for manufacturing the chemical compound gemcitabine hydrochloride, the active pharmaceutical ingredient in a chemotherapy agent. Lilly sought discovery from Hospira's North American sales and regulatory agent, ChemWorthUSA, regarding the process its manufacturer used to make the gemcitabine Hospira sold in Canada. Specifically, Lilly requested batch production records and related certificates of analysis for the gemcitabine product actually imported and offered for sale in Canada by Hospira. ChemWorth strongly resisted discovery, but the district court granted Lilly's application for *ex parte* discovery, as well as its motion to compel.

In view of the experiences reflected in the *FG Wilson*, *API*, and *Lilly* cases, a party to a judicial or

administrative proceeding that is outside the United States and that involves intellectual property should seriously consider using § 1782 to uncover factual information in the U.S. that would aid the foreign proceeding. Circumstances may arise when an inventor, scientist, or researcher relocates to the U.S., or when a trademark is licensed or assigned to a company in the U.S.. In these situations, valuable information may go with the individual or be transferred to the company, and thus fall outside the jurisdiction of the judicial or administrative tribunal in the foreign country.

Section 1782 does not seek to replace foreign law or foreign evidentiary requirements. Instead, it enables a litigant to obtain information directly relevant to issues in the foreign proceeding. It also does not try to circumvent foreign proof-gathering restrictions. Indeed, it is well recognized that the foreign tribunal has the power to determine admissibility of any information obtained under § 1782. Notwithstanding these concerns, given the significant role of intellectual property in the global economy, § 1782 provides a valuable tool when individuals or companies, who may have information relevant to a foreign dispute, reside in the United States.

Endnotes:

1 According to 28 U.S.C. § 1782(a), “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 investiga-

tions 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. By virtue of his appointment, the person appointed has the power to administer any necessary oath and take the testimony or statement. The order may prescribe the practice and procedure of the foreign country or the international tribunal, for taking the testimony or statement or producing the document or other thing. To the extent that the order does not prescribe otherwise, the testimony or statement shall be taken, and the document or other thing produced, in accordance with the Federal Rules of Civil Procedure.”

2 The Supreme Court granted review on the following two questions. First, does § 1782(a) make discovery available to complainants, such as AMD, who do not have the status of private “litigants” and are not sovereign agents? See Pet. for Cert. (i). Second, must a “proceeding” before a foreign “tribunal” be “pending” or at least “imminent” for an applicant to invoke § 1782(a) successfully? Compare *In re Letter of Request from Crown Prosecution Service*, 870 F.2d 686, 691, 276 U.S. App. D.C. 272 (D.C. Cir. 1989) (proceeding must be “within reasonable contemplation”), with *In re Ishihari Chemical Co.*, 251 F.3d 120, 125 (CA2 2001) (proceeding must be “imminent—very likely to occur and very soon to occur”); *In re International Judicial Assistance (Letter Rogatory) for Federative Republic of Brazil*, 936 F.2d 702, 706 (2nd Cir. 1991) (same). In answering “yes” to the first question and “no” to the second, the Supreme Court affirmed the Ninth Circuit’s judgment. *Id.* at 253-54 (emphasis added).

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