

THE SEDONA CONFERENCE WORKING GROUP SERIES

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# THE SEDONA CONFERENCE

## *Commentary on Cross-Border Discovery in U.S. Patent and Trade Secret Cases*

A Joint Project of The Sedona Conference  
Working Groups on Patent Litigation  
Best Practices (WG10) and Trade Secrets (WG12)

MAY 2021 PUBLIC COMMENT VERSION  
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*A Joint Project of The Sedona Conference Working Groups on  
Patent Litigation Best Practices (WG10) and Trade Secrets (WG12)*

MAY 2021 PUBLIC COMMENT VERSION

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## *Preface*

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Welcome to the May 2021 Public Comment Version of The Sedona Conference *Commentary on Cross-Border Discovery in U.S. Patent and Trade Secret Cases*, a joint project of The Sedona Conference Working Groups on Patent Litigation Best Practices (WG10) and Trade Secrets (WG12). This is one of a series of Working Group commentaries published by The Sedona Conference, a 501(c)(3) research and educational institute dedicated to the advanced study of law and policy in the areas of antitrust law, complex litigation, and intellectual property rights. The mission of The Sedona Conference is to move the law forward in a reasoned and just way.

WG10 was formed in late 2012 under the leadership of its now Chair Emeriti, the Honorable Paul R. Michel and Robert G. Sterne, and led from 2014 to 2017 by Chair Emeritus Gary Hoffman. The Sedona Conference and the entire patent litigation community owe them a great debt of gratitude. The mission of WG10 is “to develop best practices and recommendations for patent litigation case management in the post-[America Invents Act] environment.” The Working Group consists of approximately 200 active members representing all stakeholders in patent litigation.

The mission of WG12, formed in February 2018, is “to develop consensus and nonpartisan principles for managing trade secret litigation and well-vetted guidelines for consideration in protecting trade secrets, recognizing that every organization has and uses trade secrets, that trade secret disputes frequently intersect with other important public policies such as employee mobility and international trade, and that trade secret disputes are litigated in both state and federal courts.” The Working Group consists of members representing all stakeholders in trade secret law and litigation.

The Joint WG10 and WG12 *Commentary on Cross-Border Discovery in U.S. Patent and Trade Secret Cases* drafting team was launched in 2019, and the draft *Commentary* was a focus of dialogue at the WG12 Annual Meeting, Online, in November 2020; the WG9&10 Joint Annual Meeting, Online, in November 2020; the WG12 Annual Meeting in Charlotte, North Carolina, in November 2019; and the WG9&10 Joint Annual Meeting, in Philadelphia, Pennsylvania, in March 2019.

This Chapter represents the collective efforts of many individual contributors. On behalf of The Sedona Conference, I thank in particular the Editors-in-Chief Monte Cooper and G. Brian Busey, who have led this drafting process and have reviewed the comments received through the Working Group Series review and comment process. I further thank Matthew Powers and Teresa Rea, who serve as WG9&10 Chair and Vice-Chair, and James Pooley and Victoria Cundiff, who serve as WG12 Chair and Vice-Chair, for their oversight. I also thank everyone else involved for their time and attention during the drafting and editing process, including Francesca Fosson, Leslie Hayden, Byron Holz, Thomas McMasters, Nikki Vo, and Kenneth J. Withers. I further thank Jordan Cowman and William Marsillo who reviewed the draft as representatives of The Sedona Conference’s Working Group 6 on International Electronic Information Management, Discovery, and Disclosure. In addition, I thank volunteer Laura Santana for her special assistance and contributions to this effort.

The Working Groups have had the benefit of candid comments by the Honorable Hildy Bowbeer and the Honorable Nina Wang, who are serving as Judicial Advisors for this *Commentary on Cross-Border Discovery in U.S. Patent and Trade Secret Cases*. The statements in this *Commentary* are solely those

of the nonjudicial members of the Working Groups; they do not represent any judicial endorsement of the recommended practices.

Please note that this version of the *Commentary on Cross-Border Discovery in U.S. Patent and Trade Secret Cases* is open for public comment through September 30, 2021, and suggestions for improvements are welcome. After the deadline for public comment has passed, the drafting team will review the comments and determine what edits are appropriate for the final version. Please send comments to [comments@sedonaconference.org](mailto:comments@sedonaconference.org).

The Chapter will be regularly updated to account for future significant developments impacting this topic. The Sedona Conference hopes and anticipates that the output of its Working Groups will evolve into authoritative statements of law, both as it is and as it should be.

Craig W. Weinlein  
Executive Director  
The Sedona Conference  
May 2021

## *Foreword*

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Increasingly, patent and trade secret disputes may be global in scope, involving multinational corporations and international activities. As a result, evidence supporting claims and defenses in resulting litigation frequently exists outside U.S. boundaries. This development in patent and trade secret litigation in U.S. courts often necessitates cross-border discovery that raises complex issues of international comity.

This *Commentary on Cross-Border Discovery in U.S. Patent and Trade Secret Cases* offers best practices to counsel, parties, and the courts on case management where cross-border discovery is necessary. In particular, the best practices address mechanisms the courts and counsel can use to plan for and streamline issues that arise from extended timelines involved with cross-border discovery, for example, letters of request under the Hague Convention on Taking Evidence Abroad.

Another focus of the *Commentary* is on access to proof issues where cross-border discovery is critical in patent and trade secret cases. The best practices address many of the comity factors that the U.S. Supreme Court identified in its seminal decision in *Société Nationale Industrielle Aerospatiale v. U.S. District Court for the Southern District of Iowa* to guide district courts when resolving disputes relating to cross-border discovery.

The editors would like to express their appreciation to the members of the drafting team, including the Honorable Hildy Bowbeer and the Honorable Nina Wang, who have served as judicial advisors for this effort. The editors also wish to note that the drafting team expects to continue work on a subsequent Part II of the *Commentary* focusing on, among other issues, privilege issues relating to cross-border discovery, foreign enforcement of discovery orders, and the use of discovery taken in the U.S. pursuant to 28 U.S.C. § 1782 for use in foreign litigation.

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# *Cross-Border Discovery in Patent and Trade Secret Cases Principles “At a Glance”*

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Principle No. 1 – Because of the complexities associated with cross-border discovery and the time sensitivity of certain case management deadlines in patent or trade secret litigation, the parties should engage with each other and the court at the earliest possible point in the litigation—preferably before the case management conference—about what cross-border discovery may be required, what impediments to that discovery may exist, and how they and the court can work together to facilitate the discovery. The parties should continually reassess the need for such discovery throughout the litigation so that issues can be promptly identified and efficiently resolved.

..... 1

Principle No. 2 – In setting and enforcing expectations throughout the litigation for the scope, timing, and mechanisms for cross-border discovery, the court may balance the proportionality of such discovery under Federal Rule of Civil Procedure 26(b)(1) with case management concerns, including: the impact on case management deadlines; the existence of legal impediments to the discovery in the country where the discovery is located; the cost and logistical challenges of international travel; and the importance of the discovery to the issues in the case. .... 2

Principle No. 3 – For cross-border discovery issues, the parties should be prepared to address with the court considerations of comity, especially where blocking statutes or data privacy concerns are at issue. The comity analysis may emphasize certain factors, such as whether noncompliance with the request would undermine important intellectual property interests of the United States, and whether compliance with the request would undermine important interests of the state where the information is located..... 2

# ***Cross-Border Discovery in Patent and Trade Secret Cases Best Practices “At a Glance”***

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Best Practice 2 – If a party anticipates it may need to seek, or will argue that the other party must seek, discovery from foreign sources of evidence via the Hague Convention, it should alert the court at the first opportunity so this might be built into the initial case management and scheduling order. ....12

Best Practice 3 – If the parties anticipate that evidence from foreign sources may be significant to the case, the parties should address in the Federal Rule of Civil Procedure 26(f) discovery plan any specific issues relating to foreign electronically-stored and other information, including any foreign privacy or other statutes that may restrict such discovery. ....16

Best Practice 4 – If after the case management conference, a discovery dispute arises related to the need for cross-border discovery, the court may consider to what extent the parties diligently attempted to raise the issue to the court.....17

Best Practice 5 – In considering a request for foreign discovery, the court may consider the impact such discovery will have on case management deadlines under both its case management authority and when applying a proportionality analysis under Rule 26(b)(1). ....18

Best Practice 6 – If the parties expect that foreign sources of evidence may be significant to the case, the court may consider delaying an initial case management conference or holding a supplemental case management conference to address cross-border discovery issues. ....19

Best Practice 7 – A party seeking foreign sources of evidence via a foreign authority should first explore voluntary discovery and then, if needed, make detailed and narrowly tailored requests mindful of relevant foreign requirements and restrictions. ....20

Best Practice 8 – A party seeking to compel evidence under Federal Rule of Civil Procedure 34 or 45 from a foreign parent or affiliate of a party or nonparty should first attempt to demonstrate to a court that the party or nonparty has “possession, custody, or control” of that evidence. ....22

Best Practice 9 – In disputes about whether evidence from a foreign parent or affiliate of a party or domestic nonparty may be relevant, the party opposing production should bear the initial burden of demonstrating to the court that there is no actual possession of the evidence by the parent or affiliate. ....25

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# I. Introduction

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Advancements in technology are at the forefront of an increasingly global economy. Many companies increasingly have adopted comprehensive global patent, copyright, trademark, and trade secret strategies to maximize investments in, and to take advantage of, worldwide commercial opportunities. These strategies frequently include protection and assertion of intellectual property rights in litigation on a global scale. One consequence is that parties increasingly seek evidence relevant to intellectual property disputes adjudicated in the U.S. state and federal courts, agencies like the International Trade Commission (ITC), and complex arbitration proceedings from foreign sources. Simultaneously, the increased value of foreign intellectual property and the greater likelihood of securing injunctive relief in foreign courts has produced an increased focus on intellectual property litigation outside the United States, particularly in Europe and Asia. The so-called “global patent wars” have resulted in multinational corporations filing lawsuits in myriad jurisdictions across the globe to protect their rights.

The Sedona Conference, with its rich tradition of addressing cutting-edge discovery and intellectual property issues, formed a joint team from Working Group 10 on Patent Litigation Best Practices and Working Group 12 on Trade Secrets to draft this *Commentary*, comprised of jurists, in-house counsel, and thought leaders from several jurisdictions across the globe with expertise in the areas of patent and trade secrets litigation. The purpose of this *Commentary* is to identify what areas of international cross-border discovery in patent and trade secrets litigation could most benefit from the development of principles and best practices for balancing the complicated issues underlying the production of relevant foreign evidence, while encouraging consistency with the overriding comity issues that arise in international litigation.<sup>1</sup>

WG10 and WG12 developed the following three Principles to guide the development of Best Practices for cross-border discovery in U.S. patent and trade secret cases in this *Commentary*:

**Principle No. 1 – Because of the complexities associated with cross-border discovery and the time sensitivity of certain case management deadlines in patent or trade secret litigation, the parties should engage with each other and the court at the earliest possible point in the litigation—preferably before the case management conference—about what cross-border discovery may be required, what impediments to that discovery may exist, and how they and the court can work together to facilitate the discovery. The parties should continually reassess**

---

<sup>1</sup> While the Best Practices set forth in this *Commentary* are focused on practice in the United States federal courts, they are equally applicable to litigation in the various state courts and arbitration proceedings. For instance, many trade secret cases are filed in the state courts, and those cases also have the potential to raise complex discovery questions related to foreign discovery. While the mechanisms utilized in these state cases and arbitrations for raising and obtaining discovery from foreign sources may differ procedurally from those used in the United States federal courts, these Best Practices nonetheless should provide useful guidance to the judges, arbitrators, and parties involved about what issues they may wish to consider when seeking such discovery.

Likewise, many of these Best Practices may be relevant to United States’ copyright litigation, particularly with respect to disputes in which the underlying medium is software. However, copyright litigation generally is beyond the scope of this *Commentary*.

**the need for such discovery throughout the litigation so that issues can be promptly identified and efficiently resolved.**

**Principle No. 2 – In setting and enforcing expectations throughout the litigation for the scope, timing, and mechanisms for cross-border discovery, the court may balance the proportionality of such discovery under Federal Rule of Civil Procedure 26(b)(1) with case management concerns, including: the impact on case management deadlines; the existence of legal impediments to the discovery in the country where the discovery is located; the cost and logistical challenges of international travel; and the importance of the discovery to the issues in the case.**

**Principle No. 3 – For cross-border discovery issues, the parties should be prepared to address with the court considerations of comity, especially where blocking statutes or data privacy concerns are at issue. The comity analysis may emphasize certain factors, such as whether noncompliance with the request would undermine important intellectual property interests of the United States, and whether compliance with the request would undermine important interests of the state where the information is located.**

The *Commentary* explores the challenges, legal frameworks, restrictions, and jurisprudence that underlie cross-border discovery and makes recommendations to inform parties how best to seek the evidence that is necessary for courts and agencies to make informed decisions about intellectual property disputes.

The *Commentary* also addresses some of the extraordinary challenges that judicial bodies throughout the world have had to deal with in the wake of the global pandemic related to the COVID-19 virus that emerged in late 2019 and spread worldwide thereafter. For example, the *Commentary* provides possible solutions to the problems that courts may confront when attempting to ensure that the parties can obtain an appropriate degree of access to sources of proof for a patent or trade secrets related cause of action, when the evidentiary sources, such as source code or other technical documents, exist in locations throughout the world—including, potentially, locations where international (or even domestic) travel is restricted and parties and the court are facing an even further shift towards remote or electronic discovery.

\*\*\*\*\*

The focus of this Part I of the *Commentary* is on “inbound” cross-border discovery for use in U.S. litigation. It presents issues such as: weighing the importance of the information to the relevant dispute; the foreign jurisdiction’s national interest in the application of its own law; the extent to which compliance by the parties seeking discovery might undermine important U.S. interests; and whether violation of the foreign law would likely lead to a hardship upon the parties required to

produce the relevant evidence in the patent or trade secret dispute.<sup>2</sup> Part I presents Best Practices to assist the bench and bar in determining when documents, in electronic or hard copy, are in the custody and control of foreign entities that are litigants in domestic disputes, and how best to evaluate whether such documents should be made available to the parties to those actions, including what mechanisms exist to ensure production where it is warranted.<sup>3</sup>

A planned Part II of this *Commentary* will develop best practices for the bench and bar to consider in assessing whether communications by foreign in-house counsel and patent counsel should be protected in U.S. litigation even where such communications might not be deemed privileged in the overseas jurisdiction where they occurred. Part II will also develop best practices aimed at enabling parties appearing before foreign tribunals likewise to be able to secure adequate discovery from U.S. participants involved in international patent and trade secret disputes through mechanisms that include application of 28 U.S.C. § 1782. It is expected that such best practices will address how courts and parties may wish to assess the factors identified in cases like *Intel Corp. v. Advanced Micro Devices, Inc.*<sup>4</sup> and *In re Posco*,<sup>5</sup> for determining whether and when the use of such discovery may be appropriate.

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<sup>2</sup> See generally RESTATEMENT (THIRD) OF THE FOREIGN RELATIONS LAW OF THE UNITED STATES § 442; The Sedona Conference, *International Principles on Discovery, Disclosure & Data Protection in Civil Litigation (Transitional Edition)* (Jan. 2017), available at [https://thesedonaconference.org/publication/International\\_Litigation\\_Principles](https://thesedonaconference.org/publication/International_Litigation_Principles) [hereinafter *Sedona WG6 International Principles*]; see also Republic Tech. (NA), LLC v. BBK Tobacco & Foods, Inc., 2017 WL 4287205, at \*1 (N.D. Ill. Sept. 27, 2017) (a party relying on a foreign law to block production of relevant documents generally has the burden to prove that the identified foreign law actually necessitates the denial of production of the documents); Trade Development Bank v. Continental Insurance Co., 469 F.2d 35, 41 (2d Cir. 1972) (the district court did not abuse its discretion when ordering a Swiss bank to identify customer accounts in violation of Swiss bank secrecy law, but noting the district court could also have permissibly relied upon the law to deny the request for the customer account information); Karen A. Feagle, *Extraterritorial Discovery: A Social Contract Perspective*, 7 DUKE J. COMP. & INT'L L. 297 (1996).

<sup>3</sup> See, e.g., The Sedona Conference, *Commentary on Rule 34 and Rule 45 "Possession, Custody, or Control,"* 17 SEDONA CONF. J. 467 (2016) [hereinafter *Sedona Commentary on Rule 34 and Rule 45 "Possession, Custody, or Control"*]; Hon. James C. Francis IV & Eric P. Mandel, *Limits on Inherent Authority: Rule 37(e) and the Power to Sanction*, 17 SEDONA CONF. J. 613 (2016); D.R. Distributions, LLC v. 21 Century Smoking, Inc., No. 12 CV 50324, 2021 WL 185082, at \*75 (N.D. Ill. Jan. 19, 2021) (evaluating pursuant to Rule 37(e) how to address the loss of relevant electronic discovery materials that were required to be preserved but which were not because reasonable steps were not taken, resulting in prejudice to the opposing party); Linde v. Arab Bank, PLC, 269 F.R.D. 186 (E.D.N.Y. 2010) (evaluating foreign bank's compliance with discovery obligations in light of foreign bank secrecy laws which the defendant argued prohibited the production of the requested documents, and concluding that an adverse inference instruction could be a proper sanction under Fed. R. Civ. P. 37(b) even where no evidence existed that the non-producing party had engaged in bad faith or willful conduct); Zenith Elecs. LLC v. Vizio, Inc., Misc. No. M8-85, 2009 WL 3094889, at \*1 (S.D.N.Y. Sept. 25, 2009) ("[i]n deciding whether a subpoenaed domestic corporation can be compelled to produce documents held by a foreign affiliate, a court must consider the nature of the relationship between the corporation and its affiliate").

<sup>4</sup> *Intel Corp. v. Advanced Micro Devices, Inc.*, 542 U.S. 241 (2004).

<sup>5</sup> *In re Posco*, 794 F.3d 1372 (Fed. Cir. 2015).

## *II. The Special Problems of Cross-Border Discovery in U.S. Patent and Trade Secret Cases*

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The expansion of international intellectual property litigation has produced many circumstances where evidence that is relevant to patent and trade secret disputes brought in the U.S. court system exist in foreign jurisdictions. The underlying innovation that is the source of patented technology or trade secrets originated in whole or in part in countries outside the United States will likely trigger cross-border discovery. Company officers and employees involved with the decisions leading to the introduction, marketing, and sales of the accused products, along with other key sources of evidence needed for claims or defenses, are often located around the world. One prominent example is when critical source code necessary to prove infringement is generated, stored, and processed on foreign computer systems, and when electronic forms of evidence that may establish misappropriation of trade secrets are uploaded to storage outside the United States. In many trade secret scenarios, the misappropriation is alleged to have taken place at least in part in one or more other countries, such as when information was electronically downloaded to, or the trade secret was transferred onto, offsite cloud-based storage located in a foreign country.

### **A. IP LAWS ARE GENERALLY A MATTER OF NATIONAL AND LOCAL SOVEREIGNTY**

Adding to the complexity of global intellectual property litigation is the fact that patents, copyrights, trademarks, and trade secrets all are creatures of national and local sovereignty. In the United States, in order to enforce domestic intellectual property rights against a foreign entity or individual, a party seeking to enforce such rights frequently must (a) request a federal district court to impose procedural measures against the foreign defendant that ensures the foreign defendant will voluntarily comply with discovery demands; (b) attempt to obtain discovery from the defendant or relevant third parties in foreign courts via mechanisms such as letters rogatory (28 U.S.C. § 1781) and letters of request pursuant to the Hague Convention, i.e., the Convention on the Taking of Evidence Abroad in Civil or Commercial Matters (March 18, 1970); (c) initiate independent judicial proceedings involving the intellectual property rights in the foreign jurisdiction; or (d) in rare cases, employ the Walsh Act, 28 U.S.C. § 1783, and Federal Rule of Civil Procedure 45(b)(3) and ask a federal court to issue a subpoena for testimony or documents from a national or resident of the United States who is in a foreign country, if the evidence is “necessary in the interest of justice” and is “not possible to obtain . . . in any other manner.” In any of these scenarios, however, the process of generating and producing discovery related to the intellectual property dispute introduces complexities beyond the already well-known problems of gathering evidence in cross-border litigation.

For example, in patent litigation, it is not uncommon for inventors to be domiciled outside the United States. If the inventors no longer are associated with the current patent owner (whether because they have changed employment, or the original assignee has transferred the patent-in-suit to a new owner), there may be significant problems in compelling inventor testimony or the production of invention-related documents such as lab notebooks on mere notice. Neither the patent owner nor the allegedly infringing defendant may be able to use a subpoena as a means of obtaining the

requested testimony from a foreign-based inventor. Even the Hague Convention may not be an available means of generating discovery if the inventor's domicile nation has not ratified it or has opted out of key provisions allowing cross-border discovery. And even assuming that the relevant subpoena, letter of request, or letters rogatory are enforceable in the country of the inventor's residence, other obstacles, such as "blocking statutes" or privacy rules that limit where and how the inventors may be deposed or what information may be generated, can further complicate the process.

Similarly, international trade secret litigation introduces unique complexities related to obtaining discovery. Corporate financial, business, and technical secrets may be stored and transmitted in electronic form throughout a company's worldwide operations. This reality renders these trade secrets vulnerable to theft and misappropriation both by employees inside the company, as well as by third parties such as hackers. For this reason, allegations of trade secrets misappropriation frequently arise in contexts where the victim was unaware of the accused party's behavior until well after the alleged misappropriation occurred, and may not have any direct evidence of what happened, making access to secondary sources of evidence related to the alleged misappropriation critical to proving the victim's case. Yet, many civil law jurisdictions, including countries in Europe, South America, and Asia, have very limited or no provision for courts to order litigants to exchange information. This reality poses significant obstacles to obtaining proof of misconduct.

Questions of personal jurisdiction are similarly problematic in international trade secret litigation, and the underlying jurisdictional dispute can have ramifications for how and whether any discovery can be obtained from a foreign defendant, especially if the foreign defendant first demands evidence that trade secret theft actually has occurred. One area courts considering cross-border discovery in both trade secrets and patent cases are particularly sensitive to is the potential impact of complicated privacy and data security regulations in both the United States and foreign jurisdictions, such as the Health Insurance Portability and Accountability Act of 1976 (HIPAA),<sup>6</sup> the Gramm-Leach-Bliley Act (GLBA),<sup>7</sup> the California Consumer Privacy Act (CCPA),<sup>8</sup> and the European Union's General Data Protection Regulation (GDPR).<sup>9</sup> These privacy and security regulations, many of which were enacted relatively recently, can have extraterritorial reach and can potentially expose parties to material penalties for violations.<sup>10</sup>

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<sup>6</sup> Pub. L. 104-191 (Aug. 21, 1976), 110 Stat. 1937.

<sup>7</sup> Pub. L. 106-102 (Nov. 12, 1999), 113 Stat. 1338.

<sup>8</sup> CAL. CIV. CODE § 1798.100, *et seq.*

<sup>9</sup> Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), OJ 2016 L 119/1 [implemented in 2018], *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016R0679#PP3Contents> [hereinafter GDPR].

<sup>10</sup> For a framework for the analysis of questions regarding the laws applicable to cross-border transfers of personal data, *see* The Sedona Conference, *Commentary and Principles on Jurisdictional Conflicts over Transfers of Personal Data Across Borders*, 21 SEDONA CONF. J. 393 (2020) [hereinafter *Sedona WG6 Jurisdictional Conflicts over Transfers of Personal Data Across Borders*]. For a more general analysis regarding on the issues of how best to determine when electronic and other discovery is under the custody and control of a foreign entity, *see Sedona Commentary on Rule 34 and Rule 45 "Possession, Custody, or Control," supra* note 3.

## B. CROSS-BORDER IP LITIGATION AND INTERNATIONAL COMITY

Finally, in U.S. patent and trade secrets litigation, one fundamental issue that courts and litigators must always assess is the set of international comity concerns outlined by the U.S. Supreme Court in its landmark decision in *Société Nationale Industrielle Aerospatiale v. United States District Court for the Southern District of Iowa* (“*Aerospatiale*”).<sup>11</sup> In *Aerospatiale*, the Supreme Court confirmed that it is the general rule that foreign laws precluding the disclosure of evidence “do not deprive an American court of the power to order a party subject to its jurisdiction to produce evidence even though the act of production may violate that [foreign] statute.”<sup>12</sup> The Court nonetheless also emphasized that it is always important for U.S. courts to assess international comity issues when evaluating whether to order such discovery. In particular, the Court set out five factors for consideration based on the Restatement [Third] of Foreign Relations Law: (1) the importance to the litigation of the documents or other information requested; (2) the degree of specificity of the request; (3) whether the information originated in the United States; (4) the availability of alternative means of securing the information; and (5) the extent to which noncompliance with the request would undermine important interests of the United States, or compliance with the request would undermine the important interests of the state where the information is located.<sup>13</sup>

In the Sedona Conference’s *International Principles in Discovery, Disclosure & Data Protection in Civil Litigation (Transitional Edition)*, published in January 2017, the Sedona Conference provides Principles for the harmonization of U.S. discovery and data protection laws.<sup>14</sup> Principle No. 1 states:

With regard to data that is subject to preservation, disclosure, or discovery in a U.S. legal proceeding, courts and parties should demonstrate due respect to the Data Protection Laws of any foreign sovereign and the interests of any person who is subject to or benefits from such laws.<sup>15</sup>

These factors set out in *Aerospatiale* have profoundly impacted how U.S. courts balance whether to permit discovery from foreign sources in patent and trade secret cases. Since *Aerospatiale*, U.S. federal courts have set out additional comity considerations that must be addressed in such cases involving international intellectual property, including the potential hardship to the party or witness from whom discovery is sought, the good faith of the party resisting discovery, the extent and the nature of the hardship that inconsistent enforcement of the discovery would impose on the foreign state, and the extent to which enforcement by action of either state can reasonably be expected to achieve compliance with the rule prescribed by that state.<sup>16</sup>

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<sup>11</sup> *Société Nationale Industrielle Aerospatiale v. U.S. Dist. Court for S. Dist. of Iowa* (*Aerospatiale*), 482 U.S. 522 (1987).

<sup>12</sup> *Id.*, 482 U.S. at 539–40 & 544 n.29.

<sup>13</sup> *Id.* at 544 & n.28 (citing RESTATEMENT OF FOREIGN RELATIONS LAW OF THE UNITED STATES (REVISED) § 437(1)(c) (Tent. Draft No. 7, 1986) (approved May 14, 1986)).

<sup>14</sup> *Sedona WG6 International Principles*, *supra* note 2.

<sup>15</sup> *Id.* at 9. For a further discussion of the application of comity on these issues, see *Sedona WG6 Jurisdictional Conflicts over Transfers of Personal Data Across Borders*, *supra* note 10, at 404.

<sup>16</sup> See, e.g., *Richmark Corp. v. Timber Falling Consultants*, 959 F.2d 1468, 1475 (9th Cir. 1992); *Wultz v. Bank of China, Ltd.*, 910 F. Supp. 2d 548, 553 (S.D.N.Y. 2012).

### *III. Case Management of Cross-Border Discovery Issues in Patent and Trade Secret Cases*

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#### A. PRESENTING CROSS-BORDER DISCOVERY ISSUES EARLY

**Best Practice 1** – If evidence from foreign sources is likely to be relevant, the parties should raise this to the other party and the court at the outset of the case.

Parties involved in patent or trade secrets litigation should plan from the outset of litigation for the unique issues presented by seeking foreign evidence and be prepared to raise the issue of cross-border discovery and the mechanisms that will be required to obtain it during the initial stage of the case.

Because the processes for obtaining cross-border discovery are frequently cumbersome and slow, it is important that each party plan ahead and inform the other parties as soon as it believes that cross-border discovery is necessary. The parties should know what discovery is needed, from where (to the extent reasonably possible), and the exact process—and potential pitfalls—for obtaining such discovery.<sup>17</sup> As discussed at the outset of this *Commentary*, there are limited ways to obtain cross-border discovery, including: subpoenaing a U.S. affiliate of a foreign corporation; proceeding under the Hague Convention; applying for a letter rogatory from a federal judge; or seeking evidence using the legal procedures of the foreign jurisdiction directly. Each of these mechanisms has its own inherent drawbacks and limitations. Parties should research and understand the obstacles associated with seeking discovery using these mechanisms and have a plan for navigating them.

By raising the potential need for reliance on foreign sources of evidence at the outset of the case, the parties can plan for and resolve procedural and timing issues with the other parties and the court, if necessary. It is important to note that the burdens of discovery, including planning for and resolving issues with cross-border discovery, are not to be borne solely by the party seeking the discovery and are instead shared by the parties. As reflected in the Advisory Committee Notes to the 2015 Amendments to Federal Rule of Civil Procedure 26 (Rule 26), “[f]raming intelligent requests for electronically stored information, for example, may require detailed information about another party’s information systems and other information resources.”<sup>18</sup> Likewise, framing intelligent discovery requests for foreign sources of evidence requires the parties to discuss where the discovery resides.

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<sup>17</sup> See generally The Sedona Conference, *The Sedona Principles, Third Edition: Best Practices Recommendations & Principles for Addressing Electronic Document Production*, 19 SEDONA CONF. J. 1 (2018); Ariana J. Tadler et al., *The Sedona Conference “Jumpstart Outline”: Questions to Ask Your Client & Your Adversary to Prepare for Preservation, Rule 26 Obligations, Court Conferences & Requests for Production* (March 2016), available at [https://thesedonaconference.org/publication/Jumpstart\\_Outline](https://thesedonaconference.org/publication/Jumpstart_Outline) [hereinafter *Sedona Jumpstart Outline*].

<sup>18</sup> FED. R. CIV. P. 26(B) advisory committee’s note to 2015 amendment.



Following from the guidance in the Advisory Committee notes, it is important that there be both diligence and transparency among the parties and with the court when cross-border discovery is likely to be relevant. In fact, diligence and transparency may be determinative of whether such discovery will be permitted by the courts at all. This has several aspects. One aspect is that the party from which cross-border discovery is likely to be sought must investigate and disclose the locations of foreign sources of evidence such as source code and other technical evidence.<sup>19</sup> Another aspect is that the parties must investigate and disclose likely or potential legal impediments to cross-border discovery such as blocking or privacy statutes. Furthermore, if the party from which cross-border discovery is sought is not transparent or forthcoming, then the court is encouraged to consider allowing discovery to be taken on the sources and location of such discovery (i.e., discovery about the process of discovery itself).<sup>20</sup>

After initial planning for cross-border discovery, the parties should reference cross-border discovery issues in Rule 26 initial disclosures and include them in the parties' Rule 26(f) discovery plan. Rule 26(f) requires that at the outset of the case, the parties meet and jointly prepare a discovery plan, a report of which is then submitted to the court within fourteen days after the conference.

A party seeking foreign sources of discovery should use the Rule 26(f) conference to discuss with the other parties the impact that seeking the foreign evidence could have on discovery and case management. For instance, if one party anticipates that foreign discovery is relevant to proving a claim or defense in a patent or trade secret case, that party should explain why it is confident that there will be a need for such discovery. The discussion should include specifics as to why the discovery is relevant to a particular claim or defense expected to be raised in the litigation. The parties should also discuss particulars of where the witness(es) reside or where the documentation is maintained and stored, how the expected testimony or information relates to particular patent or trade secrets claims, and why the party seeking the discovery believes it will be prejudiced if it cannot obtain it. Similarly, the party from whom foreign discovery may be sought should be prepared to discuss with specificity and candor whether it is likely to resist such discovery, and if so, why it believes the foreign discovery is burdensome, will be irrelevant to any particular issue in the patent and trade secret cases, or would be prohibited by applicable foreign law. Similarly, if a party believes a foreign entity related to a domestic plaintiff or defendant controls the documents or information that is likely to be sought in discovery, that fact also should be raised and discussed at the Rule 26(f) conference. The degree to which parties have done their homework and are transparent about all of these issues may significantly influence how the court addresses the issues at a later date, if the need for foreign discovery impedes the parties'—and the court's—ability to meet the deadlines initially imposed by the court.<sup>21</sup>

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<sup>19</sup> This transparency also includes disclosure to the court if the parties become aware that cross-border discovery in a patent or trade secret case will likely create future issues that might need to be addressed by the court. If the parties raise this concern, the court should encourage early and consistent communication both among the parties, and with the court.

<sup>20</sup> For a discussion of what steps a party ordinarily should take to ensure preservation, collection, and identification of potentially relevant electronic discovery, see generally *Sedona Jumpstart Outline*, *supra* note 17.

<sup>21</sup> For an extensive discussion of the pretrial requirements that parties and their counsel should address and consider when identifying and preserving electronic evidence, including what consequences (including sanctions) may result

The parties should also use the Rule 26(f) conference to attempt to reach agreements related to informal discovery designed to reduce costs and minimize burden. For instance, the parties may want to consider conducting joint interviews of witnesses located overseas in order to minimize the financial burden and time required to obtain cross-border discovery. This is particularly true if geopolitical or environmental conditions (the COVID-19 pandemic being one notable example) create severe restraints on foreign travel or access to sources of proof. Courts also expect the parties to use the Rule 26(f) conference to attempt to reach agreements that could minimize the cost of formal discovery, such as agreeing to take depositions over the telephone, by videoconference (such as Zoom or Skype), and obtain expert affidavits that could be used to support the court's taking of judicial notice. These cost-saving and time-saving measures are particularly relevant to cross-border discovery, which often requires the use of translators and is frequently expensive and at times unwieldy.

At the Rule 26(f) conference, and later at the Rule 16(b) conference, the parties to a patent or trade secret case in which foreign evidence may be sought should also be prepared to explain to each other and to the court to what extent discovery of the evidence comports with the proportionality requirement set out in Rule 26(b)(1). That is, the parties should be prepared to address whether the proposed cross-border discovery is “proportional to the needs of the case, considering the importance of the issues at stake in the action, the amount in controversy, the parties’ relative access to relevant information, 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.”<sup>22</sup> In addition, the parties should be prepared to address the intersection of the proportionality factors set forth in Rule 26(b)(1), with the *Aerospatiale* factors used to determine whether a foreign statute excuses noncompliance with a discovery order: (1) the importance of the documents or other information requested to the litigation; (2) the degree of specificity of the request; (3) whether the information originated in the United States; (4) the availability of alternative means of securing the information; and (5) the extent to which noncompliance would undermine important interests of the United States. In all cases, courts can be expected to encourage the parties to make efforts to reduce the burdens associated with discovery and other litigation tasks, so the parties should be prepared to speak to the steps being taken to do so.

The parties in patent and trade secret cases in which electronic discovery may be sought from foreign sources should be prepared to discuss privacy-related aspects of seeking such discovery at both the Rule 26(f) conference and, if the court conducts one, at the court's initial case management conference.<sup>23</sup> As required by Rule 26(f)(3)(B), the parties should also address whether the types and amount of foreign evidence that will be sought make it appropriate to conduct discovery in phases or by focusing on specific issues.<sup>24</sup>

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where such diligence is not exercised, *see* D.R. Distributors, LLC v. 21 Century Smoking, Inc., 2021 WL 185082 (N.D. Ill. Jan. 19, 2021).

<sup>22</sup> FED. R. CIV. P. 26(b)(1).

<sup>23</sup> *See* FED. R. CIV. P. 26(f)(3)(C) (requiring the parties’ discovery plan to “state the parties’ views and proposals on . . . any issues about disclosure, discovery, or preservation of electronically stored information.”).

<sup>24</sup> *See* FED. R. CIV. P. 26(f)(3)(B).

Importantly, there are notable variations in judges' case management procedures across the U.S. federal court system, and some district courts follow separate local rules and practices for patent cases. It is therefore incumbent on litigants to consider how to address the need for cross-border discovery under the rubric of each court's specific local rules and procedures, as they affect the timing and forum for raising issues related to obtaining cross-border discovery.

A federal court must issue a scheduling order either after receiving the parties' Rule 26(f) report or after convening a scheduling conference.<sup>25</sup> Many federal courts require litigants to jointly submit a proposed scheduling order, which can be used for raising issues and proposing how to handle the collection of foreign evidence. Asking that the court address issues related to cross-border discovery in the Rule 16 scheduling order will allow for timing and procedural issues to be dealt with as efficiently as possible and increase the likelihood that the party seeking the foreign evidence will be able to obtain and rely on it in the litigation. Further, to the extent the court holds a scheduling conference, the parties should not consider it as perfunctory, but instead use it as an opportunity to address cross-border discovery needs and the associated procedural and timing requirements for such discovery.

In the context of providing information to a court about cross-border discovery, the parties seeking the discovery should be as specific as possible about the evidence they intend to seek from foreign jurisdictions. For example, if the court requires the parties to identify deponents in a proposed scheduling order, a deponent such as an inventor in a patent case or a departing employee in a trade secret case who is located in a foreign jurisdiction should be identified together with the specific information the party hopes to obtain from him or her. It would not be helpful for the party to describe such a deponent vaguely, using a label such as "witness to event" or "inventor with knowledge of the patent." Specificity will help the court assess whether the foreign evidence that is sought is proportional to the needs of the case and will also allow the court to consider issues of timing and case management (e.g., if all foreign deponents are expected to testify on a discrete issue related to damages, a court might decide to have a separate deadline for completing the foreign depositions).

Many jurisdictions employ patent local rules that set out specific deadlines for presenting claim construction arguments and for generating infringement, invalidity, and damages contentions. These deadlines often front-load many important milestones in the litigation. If a party knows it will need cross-border discovery to support claim construction, or infringement/invalidity/damages contentions, it is imperative that the court be advised of the need for such information at the earliest possible time. In considering and advising the court on these matters, the parties must consider not only their own documentation and evidence, but also whether information owned by third parties may be required, and if so, where it is and what laws may apply to it. For example, if a party believes it will need testimony from an inventor or documentation from a third-party manufacturer about foreign manufacturing processes to establish one or more claims or defenses, that party should be prepared to explain to the court why the evidence is crucial before any deadlines are set, or as soon as the need becomes known. This is because it may be months before a foreign court will act upon the request for such discovery. For the same reasons, parties need to inform the court at the earliest

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<sup>25</sup> FED. R. CIV. P. 16(b)(1).

possible point in the litigation of foreign sources of evidence, such as source code, attendant documentation, and employee records, that will be relevant to the dispute and how that may impact deadlines in the case. The parties will also need to investigate and advise the court whether foreign data privacy laws or blocking statutes may be implicated by the need for cross-border discovery, and what consequences (such as imposition of fines or other penalties by governmental entities) may result if those laws are violated.

The parties should also address with the court how timing and discovery deadlines for depositions and service of written discovery requests, as well as deadlines to amend the pleadings, join parties, conduct expert discovery, and file dispositive motions could be affected by the need for the foreign evidence. For example, if the court follows presumptive deadlines to amend the pleadings or add parties, these deadlines might be hard for a party to meet if related evidence is needed from a foreign jurisdiction where the procedures for obtaining the discovery take longer to navigate through than the timeframe under the presumptive deadline. If foreign evidence relates to a specific issue, claim, or defense in a patent or trade secret case, the court might stagger the case schedule so that progress is still being made on other issues or claims despite delays related to obtaining the cross-border discovery. In addressing timing and case scheduling issues, parties should also consider potential delays caused by foreign travel, different holiday schedules in the jurisdictions in which the evidence is located, local laws that mandate additional procedural steps prior to the taking of depositions in certain jurisdictions (or prohibit them altogether), and the time and expense associated with obtaining document translations.

The court will also be interested in any discovery taken in other, related patent or trade secrets matters and whether such discovery can be used in the current dispute to minimize the burden on the parties and the time required for the requisite discovery. Accordingly, the parties should consider whether and how to permit the use of discovery from other matters and jurisdictions, including foreign jurisdictions, in the underlying patent and trade secret case. For example, to the extent that a deposition of a foreign agent or witness may have been taken in an administrative proceeding involving patents or trade secrets, such as in an investigation before the U.S. International Trade Commission or a foreign action, the parties should discuss and advise the court as to whether the parties can use such testimony in an U.S. action, either pursuant to the Federal Rules of Civil Procedure and Federal Rules of Evidence or by stipulation of the parties. Similarly, to the extent that foreign documents have been disclosed in a different action (whether or not it also was a patent or trade secret case), the parties should discuss and advise the court if such documentary discovery can be used in the underlying U.S. action. This type of discovery sharing will likely implicate considerations of whether the parties from the different proceedings are sufficiently aligned; whether the parties in the current action had an adequate opportunity and motivation to examine or cross-examine any foreign witness; whether third-party documents or witnesses are at issue; whether the information is relevant to the patent or trade secrets issue raised in the U.S. action; and whether court orders are necessary to facilitate sharing, even if by stipulation of the parties.

The evidence-seeking party should also request that the court enter a protective order under Rule 26(c) to protect against the disclosure or misuse of categories of personal data and information that

are protected by data privacy laws in the countries where the foreign evidence is located.<sup>26</sup> Cases discussing issues related to obtaining foreign evidence often consider whether there is a protective order in place that protects the privacy concerns of individuals in the jurisdictions from which the evidence is sought.<sup>27</sup>

As set forth above, the aim of this Best Practice is to emphasize the need for early, informed, and transparent communications among the parties and the court from the beginning of the case and to highlight some of the issues that the parties should be prepared to address from the outset that could ultimately affect the parties' ability to obtain and use the sought-after discovery.

**Best Practice 2 – If a party anticipates it may need to seek, or will argue that the other party must seek, discovery from foreign sources of evidence via the Hague Convention, it should alert the court at the first opportunity so this might be built into the initial case management and scheduling order.**

As mentioned frequently in this *Commentary*, mechanisms for obtaining cross-border discovery are time consuming and often require a significant amount of involvement and action by the court where the litigation is pending. This is particularly the case where the discovery is sought using mechanisms such as the Hague Convention or letters rogatory directed to non-Hague Convention countries. Use of such cross-border discovery mechanisms often take at least six months to one year or more to complete. This Best Practice builds on the broader discussion in Best Practice 1 and highlights additional specific considerations for parties who may utilize the Hague Convention or letters rogatory.

Raising the specific issue of the necessity of cross-border discovery using the Hague Convention or letters rogatory as early as practicable provides the opportunity for the court to decide whether and how to accommodate in the case schedule the time needed to obtain the discovery. It also serves as a starting point for dialogue with the court about what will be required, both from the parties and the court, in terms of content and process for preparing, transmitting, and responding to issues raised in reply to the letters of request or letters rogatory.

The Hague Convention is one of the most ubiquitous methods for obtaining cross-border discovery from third parties in civil litigation. It was enacted in 1970 to provide a uniform system for obtaining foreign discovery across borders between participating countries.<sup>28</sup> Under the Hague Convention, a court in one signatory country may issue letters rogatory (a "letter of request") for purposes of obtaining evidence from another signatory country.<sup>29</sup> The letter of request must be submitted by the

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<sup>26</sup> For a model U.S. federal court order addressing cross-border discovery of electronically stored information (ESI), see *Sedona WG6 International Principles*, *supra* note 2, at Appendix B.

<sup>27</sup> See *In re Mercedes-Benz Emissions Litig.*, No. 16-cv-881 (KM) (ESK), 2020 WL 487288, at \*8 (D.N.J. Jan. 30, 2020); *Finjan, Inc. v. Zscaler, Inc.*, No. 17-cv-06946-JST (KAW), 2019 WL 618554 (N.D. Cal. Feb. 14, 2019).

<sup>28</sup> See *In re Anschuetz & Co., GmbH*, 754 F. 2d 602, 604 n.1 (5th Cir. 1985).

<sup>29</sup> Hague Convention Art. 1 ("In civil or commercial matters a judicial authority of a Contracting State may, in accordance with the provisions of the law of that State, request the competent authority of another Contracting State, by means of a Letter of Request, to obtain evidence, or to perform some other judicial act."); see also *In re Automotive Refinishing Paint Antitrust*, 358 F. 3d 288, 299 (3d Cir. 2004) ("The Convention prescribes certain

evidence-seeking court to a designated central authority in the country where the discovery is located.<sup>30</sup> The central authority reviews the letter of request to determine whether it complies with the laws of the receiving country, and if so, transmits it to the appropriate judicial body for fulfillment of the requested discovery.<sup>31</sup> Alternatively, the Hague Convention allows for the appointment of a “commissioner” in the country where the discovery is located to oversee production of the requested discovery.<sup>32</sup>

A mechanism for obtaining cross-border discovery from a non-Hague Convention country is to obtain letters rogatory from the court where the litigation is pending to be presented to a court in the country where the discovery is located.<sup>33</sup> The use of letters rogatory in non-Hague Convention countries is a slower and sometimes more inefficient process than the Hague Convention, because enforcement of letters rogatory is not based on a treaty and instead relies on comity between courts and normally involves channeling such discovery through the U.S. Department of State.<sup>34</sup>

The parties should raise the need for this discovery early and ask that the time to obtain it be built into the case management schedule so that the cross-border discovery does not unnecessarily delay resolution of the case or, alternatively, get denied by the court if requested too late. Moreover, as discussed in the supporting discussion to Best Practice 1, the delays inherent in the letter of request or letters rogatory process can particularly affect the timing of patent and trade secret cases where certain types of evidence that could be located abroad might be needed for the resolution of threshold issues such as claim construction in a patent case or evidence related to the identification of a party’s trade secrets, such as source code, other technical documentation, and employee information.

When considering how much time to request for discovery using the Hague Convention or letters rogatory and how to request that the court account for the procedure in the case management plan, a party should take into account the specific vehicle that will be used to obtain the discovery and historic data about how long the country where the cross-border discovery is located takes to process such requests. While the Hague Convention letter of request process is considered to be quicker and more streamlined than the use traditional letters rogatory, the time different receiving

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procedures by which a judicial authority in one contracting nation may request evidence located in another nation.”); Amram, Explanatory Report on the Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, reprinted in message from the President transmitting the Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, S. Exec. A., 92d Cong. 2d Sess. 1, 5 (1972) (U.S. Senate report on adoption of the Hague Convention, explaining that “[The Hague Convention] makes no major changes in United States procedure and requires no major changes in United States legislation or rules. On the other front, it will give the United States courts and litigants abroad enormous aid by providing an international agreement for the taking of testimony, the absence of which has created barriers to our courts and litigants.”).

<sup>30</sup> Hague Convention Arts. 1 & 2.

<sup>31</sup> *Id.*

<sup>32</sup> Hague Convention Art. 17.

<sup>33</sup> 28 U.S.C. § 1781; *see* *Lantheus Med. Imaging v. Zurich American Ins.*, 841 F. Supp. 2d 769, 775 (S.D.N.Y. 2012).

<sup>34</sup> *See, e.g., Da Rocha v. Bell Helicopter Textron, Inc.*, 451 F. Supp. 2d 1318, 1325 (S.D. Fla. 2006) (“To the extent the parties could employ treaty requests or letters rogatory, these vehicles are notoriously inefficient and tend to protract and make litigation more costly.”).

jurisdictions take to process a letter of request or letters rogatory may vary greatly. For example, in France, the central authority has estimated that processing a letter of request takes two to six months. Other countries, such as the United Kingdom and China, estimate that processing a letter of request might take a year on average.<sup>35</sup>

When raising the need for discovery using the Hague Convention or a similar mechanism, the requesting party should be prepared to articulate to the court why the discovery is necessary and not cumulative of discovery available in the United States, therefore meriting the time and effort to obtain it abroad. The type and scope of information that is sought through cross-border discovery may impact the willingness of the court to issue the requested letter of request or letters rogatory, and many foreign countries take a narrower view of the extent and types of information that can be obtained in comparison to the scope of discovery allowed in the United States.<sup>36</sup> Accordingly, the issuing court and the receiving central authority or court may decline to authorize such discovery if it is perceived as a “fishing expedition.”

Moreover, the Hague Convention permits signatory countries to opt out of the treaty’s procedures for pretrial discovery and declare that they will restrict or refuse altogether to execute letters of request seeking such discovery.<sup>37</sup> As discussed in other sections of this *Commentary*, the parties requesting discovery, including by asking a court to issue a letter of request or other mechanism,

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<sup>35</sup> Hague Conference on Private International Law Conférence de La Haye de droit international privé, *United Kingdom - Central Authority (Art. 2) & Practical Information*, <https://www.hcch.net/en/states/authorities/details3/?aid=526> (last visited May 16, 2021); Hague Conference on Private International Law Conférence de La Haye de droit international privé, *China - Central Authority (Art. 2) & Practical Information*, <https://www.hcch.net/en/states/authorities/details3/?aid=490> (last visited May 16, 2021). Conclusions and Recommendations on the Special Commission on the practical operation of HCCH of 20-23 May 2014 welcome practice to promptly inform the Requesting Authority and/or interested parties about the status of requests filed according to the Hague Convention.

<sup>36</sup> *Aerospatiale*, 482 U.S. 522, 542 (1987) (“It is well known that the scope of American discovery is often significantly broader than is permitted in other jurisdictions . . .”).

<sup>37</sup> *See id.* at 537 (noting that Article 23 of the Hague Convention allows a requesting party to “revoke its consent to the treaty’s procedures for pretrial discovery”); *see, e.g.*, *Blagman v. Apple, Inc.*, No. 12 Civ. 5453(ALC)(JCF), 2014 WL 1285496, at \*4 (S.D.N.Y. Mar. 31, 2014) (“[T]he United Kingdom reserved its rights to impose stricter pretrial discovery standards when evaluating letters rogatory received from foreign nations.” (internal citation omitted)).

WG10 and WG12 note, though, that Conclusions and Recommendations on the Special Commission on the practical operation of HCCH of 4 November 2003 underlined that Article 23, which permits a Contracting State to “declare that it will not execute Letters of Request issued for the purpose of obtaining pretrial discovery of documents,” is a continued source of misunderstanding by practitioners inside and outside the United States. In fact, Article 23 was intended to permit States to ensure that a request for the production of documents must be sufficiently substantiated so as to avoid requests whereby one party merely seeks to find out what documents may generally be in the possession of the other party to the proceeding. Therefore the Special Commission has suggested that States which have made a general, nonparticularized declaration under Article 23 revisit their declaration adopting a wording similar to that one used by UK (i.e., the proponent of the provision), i.e.: “In accordance with Article 23 Her Majesty’s Government declare that the United Kingdom will not execute Letters of Request issued for the purpose of obtaining pretrial discovery of documents. Her Majesty’s Government further declare that Her Majesty’s Government understand ‘Letters of Request issued for the purpose of obtaining pre-trial discovery of documents’ for the purposes of the foregoing Declaration as including any Letter of Request which requires a person: a. to state what documents relevant to the proceedings to which the Letter of Request relates are, or have been, in his possession, custody or power; or b. to produce any documents other than particular documents specified in the Letter of Request as being documents appearing to the requested court to be, or to be likely to be, in his possession, custody or power.” This recommendation repeated in 2009 and 2014 is still not followed by many States (Italy, for instance).



should be prepared to justify the information they are seeking, including by addressing the comity analysis factors set forth in the U.S. Supreme Court's *Aerospatiale* decision.<sup>38</sup>

There may also be unique challenges that arise when seeking certain types of information from foreign countries. For example, there are complexities associated with trying to obtain litigation materials from a case in a civil law jurisdiction, where judges take and have ownership over the evidence, in contrast to common law systems such as the United States, where the parties are responsible for obtaining and managing discovery. Further, some countries, including China, have laws that prevent the exportation of information that the government considers to implicate on state secrets and national security interests without approval based on stringent government scrutiny.<sup>39</sup>

Parties seeking to obtain discovery using the Hague Convention or letters rogatory should fully familiarize themselves with the requirements for the process, including by understanding what will initially be required from the court issuing the letters, how the central authority, courts, and non-parties in the jurisdiction where the discovery is located will process and reply to the request, and what next steps may be necessary if the request is denied by the foreign authority. U.S. federal judges have differing amounts of experience with issues related to obtaining and using cross-border discovery in their courts, and a range of opinions on how self-effectuating discovery should be. Some courts may take a more hands-off approach to issues related to obtaining discovery from foreign sources, viewing the court as a place of last resort for discovery issues. Other courts may take a more involved approach to cross-border discovery issues. It is therefore important for parties who need cross-border discovery to raise the prospect of the need for cross-border discovery early and be prepared to provide necessary information for the court regarding the mechanisms that will be used, how long the process may take, and what types of evidence can be expected to be returned.

It is also incumbent on the party seeking the cross-border discovery to make sure that the letter of request or letters rogatory contain the correct substance and are transmitted in the proper format, so as not to waste the time of either the issuing court or the receiving jurisdiction. The requirements for the contents of the letters of request or letters rogatory may vary depending on the country where the discovery is located and the type of information that is sought.<sup>40</sup> For example, some jurisdictions may require that letters of request under the Hague Convention be in the language of the country where the request is located or be accompanied by a translation into that language.<sup>41</sup> As another example, some jurisdictions require that a request for witness examination include the specific questions to be used during witness examination, while others require only a list of the matters to be

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<sup>38</sup> See *Aerospatiale*, 482 U.S. at 539–40 & 544 n.29; see also Best Practice 15.

<sup>39</sup> Law of the People's Republic of China on Guarding State Secrets (2010 Revision), [http://eng.mod.gov.cn/publications/2017-03/03/content\\_4774216.htm](http://eng.mod.gov.cn/publications/2017-03/03/content_4774216.htm) (last visited May 16, 2021).

<sup>40</sup> For a model letter of request, see Hague Convention, Model for Letters of Request recommended for use in applying the Hague Convention of 18 March 1970 on the Taking of Evidence Abroad in Civil or Commercial Matters, <https://assets.hcch.net/docs/5407462f-6e0c-4da9-a316-73b554a8eef4.pdf> (last visited May 16, 2021).

<sup>41</sup> Hague Convention Art. 4; see, e.g., Hague Conference on Private International Law, United Kingdom - Central Authority (Art. 2) & Practical Information, <https://www.hcch.net/en/states/authorities/details3/?paid=526> (last visited May 16, 2021).



addressed. The processing jurisdiction may also require a certain number of originals of the letters of request signed by the issuing court.

One of the most significant complexities related to pursuing cross-border discovery is the effect of blocking and privacy statutes. The term “blocking statute” typically refers to a statute enacted by a foreign country for the purpose of preventing the collection of evidence for use in U.S. litigation.<sup>42</sup> An issue to raise when discussing the need for cross-border discovery with the court and other parties is what will happen when the country where the discovery is located raises an objection to providing the requested discovery due to a blocking or privacy statute.<sup>43</sup>

As this Best Practice suggests, and consistent with the message of the Best Practice 1, timely raising the need for cross-border discovery using the Hague Convention or a similar process and being prepared in advance with an understanding of the procedural and substantive requirements for such a process will increase a party’s likelihood of success in obtaining permission from the court where the case is pending and ultimately obtaining and being able to use the cross-border discovery.

**Best Practice 3 – If the parties anticipate that evidence from foreign sources may be significant to the case, the parties should address in the Federal Rule of Civil Procedure 26(f) discovery plan any specific issues relating to foreign electronically-stored and other information, including any foreign privacy or other statutes that may restrict such discovery.**

Foreign sources of electronically stored information (ESI) and other documentation may be subject to privacy regimes that raise objections to U.S. discovery practice. Building upon Best Practice 1, this Best Practice encourages the parties to consider these privacy issues when preparing the Rule 26(f) discovery plan. Good-faith discussion of these issues should seek to foster a prompt and orderly resolution of concerns with foreign privacy rules on ESI or other discovery, to the extent they can be reasonably identified at this stage of the case.

Although this Best Practice is not limited to any jurisdiction or rule, it specifically considers the European Union (EU) General Data Protection Regulation (GDPR),<sup>44</sup> which has been a source of disputes about the extent to which U.S. discovery may be limited. The present discussion is meant to highlight potential applicability of the GDPR, but it is not intended as a comprehensive guide to

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<sup>42</sup> See *In re Anschutz & Co.*, 754 F.2d 602, 614 n.29 (5th Cir. 1985) (“A blocking statute is a law passed by the foreign government imposing a penalty upon a national for complying with a foreign court’s discovery request.”).

<sup>43</sup> For a discussion of the Hague Convention and blocking statutes, see The Sedona Conference, *Framework for Analysis of Cross-Border Discovery Conflicts*, at 17 (Aug. 2008 Public Comment Version), available at [https://thesedonaconference.org/publication/Framework\\_for\\_Analysis\\_of\\_Cross-Border\\_Discovery\\_Conflicts](https://thesedonaconference.org/publication/Framework_for_Analysis_of_Cross-Border_Discovery_Conflicts). At least one court, citing other Sedona Conference principles, has suggested that the appointment of a special master may provide one mechanism to resolve the thorny issue of how to address whether the existence of a blocking statute should prevent or impact cross-border discovery. See *Behrens v. Arconic, Inc.*, No. 19-2664, 2019 WL 7049946, at \*5–6 (E.D. Pa. Dec. 20, 2019).

<sup>44</sup> Though this *Commentary* refers to “the EU” for sake of simplicity, the GDPR is also applicable throughout the European Economic Area. For examples of national regimes that may raise similar issues, consider also Switzerland and the United Kingdom after Brexit.

potential interactions between the GDPR and U.S. rules, which remain the subject of other drafting efforts of Sedona Conference Working Group 6.<sup>45</sup>

The GDPR regulates the handling of personal data, including transfers of such data outside the EU. GDPR Article 4(1) defines personal data as covering “any information relating to an identified or identifiable natural person . . . .” Given the breadth of this definition, parties to U.S. litigation should consider potential applicability of the GDPR wherever such personal data may be present in the scope of discovery to be sought within the EU. Where the GDPR applies, cross-border transfers are extensively regulated, with many safeguards and applicable rights.<sup>46</sup> Complying with these obligations in context of U.S. discovery may, in some circumstances, be prohibitively difficult and expensive.

Under *Aerospatiale*, it is unlikely that the GDPR prevents a U.S. court from ordering reasonably tailored discovery. Within the *Aerospatiale* framework, however, the GDPR and its consequences may be considered as a basis for limiting or quashing discovery, depending on the facts at issue. Accordingly, the parties should use the discovery conference as an opportunity to explore potential resolution of any issues that may be presented by the GDPR or other foreign privacy regulations. Potential solutions for consideration may include, but are not limited to:

- whether discovery may be limited to avoid sources that contain GDPR “personal data”;
- whether “personal data” may be identified and redacted without undue cost/burden;
- the extent to which a protective order may alleviate GDPR concerns; and
- whether costs of compliance should be shared or shifted.

**Best Practice 4 – If after the case management conference, a discovery dispute arises related to the need for cross-border discovery, the court may consider to what extent the parties diligently attempted to raise the issue to the court.**

As explained above in the supporting discussion to Best Practice 1, transparency and timeliness in raising issues related to cross-border discovery in U.S. patent or trade secrets litigation can directly impact a party’s ability to obtain and use the sought-after discovery. For instance, many jurisdictions have patent local rules that require parties to be diligent in obtaining evidence in support of, and in amending, infringement and invalidity contentions, which requires good cause to establish why they did not make such amendments earlier in the litigation.<sup>47</sup> This good cause determination may rest on

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<sup>45</sup> See The Sedona Conference, *Commentary on the Enforceability in U.S. Courts of Orders and Judgments Entered under GDPR*, 22 SEDONA CONF. J. 277 (forthcoming 2021), available at [https://thesedonaconference.org/publication/Enforceability\\_in\\_US\\_Courts\\_under\\_GDPR](https://thesedonaconference.org/publication/Enforceability_in_US_Courts_under_GDPR); *Sedona WG6 Jurisdictional Conflicts over Transfers of Personal Data Across Borders*, *supra* note 10.

<sup>46</sup> See generally GDPR, *supra* note 9, Chapter 5, Arts. 44-50.

<sup>47</sup> See, e.g., Utah Patent Local Rule 3.4 (noting that a party “may amend its Final Infringement Contentions . . . only by order of the court upon a showing of good cause and absence of undue prejudice to the opposing parties, made no later than fourteen (14) days of the discovery of the basis for the amendment”); C.D. Cal. Patent Local Rule 3-6 (providing a “non-exhaustive” list of circumstances that may, absent undue prejudice to the nonmoving party, support a finding of “good cause” so as to allow a party to amend its infringement or invalidity contentions, including “recent discovery material prior art despite earlier diligent search”).

a variety of factors, including the timing of when the parties first identified the need for, or existence of, discovery related to the infringement or invalidity contentions.<sup>48</sup> It should therefore come as no surprise to litigants that judges ruling on discovery disputes related to foreign sources of evidence may similarly consider, in addition to other factors, the extent to which the parties were forthcoming and proactive about issues related to planning for and obtaining the cross-border discovery at the outset of the case, including by anticipating and attempting to raise the issues at the Rule 26(f) conference and the case management conference.<sup>49</sup> This is particularly the case where a discovery dispute between the parties centers on whether obtaining and using the foreign evidence will unduly delay resolution of the case or impact case deadlines. This Best Practice therefore acknowledges and encourages litigants to consider the impact that their diligence, transparency, and timeliness in raising cross-border discovery issues will have on their success in navigating issues related to obtaining the discovery, even after the initial case management conference.

**Best Practice 5 – In considering a request for foreign discovery, the court may consider the impact such discovery will have on case management deadlines under both its case management authority and when applying a proportionality analysis under Rule 26(b)(1).**

Rule 26(b)(1) allows for discovery of non-privileged matters that are both relevant and “proportional to the needs of the case, considering the importance of the issues at stake in the action, the amount in controversy, the parties’ relative access to relevant information, 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.” There is no “bright line test” under this standard for the temporal framework of when discovery, including jurisdictional discovery involving foreign parties, may be relevant to a dispute.<sup>50</sup> Nonetheless, in ruling on the proportionality of a demand for use of a letter of request or similar discovery device, a court may consider whether the cross-border discovery will negatively impact case management deadlines like those set forth in patent local rules or the case management order. To that end, the parties will always be in a better position than the court to determine whether any particular foreign discovery is likely to be relevant to a patent or

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<sup>48</sup> See, e.g., *Tokai Corp. v. Easton Enterprises Inc.*, EDCV 07-00883-VAP (FMOx), 2009 WL 2047845, at \*4 (C.D. Cal. July 8, 2009) (evaluating factors set forth in C.D. Cal. Patent Local Rule 3-6 and denying leave for party to amend its contentions because it had not been diligent in doing so); *INAG, Inc. v. RICAR, LLC*, Case No. 2:16-cv-00722-RFB-EJY, 2021 WL 1582766, at \*6 & n.10 (D. Nev. Apr. 22, 2021) (allowing plaintiff to amend its infringement contentions, where it was shown that plaintiff was “diligent” in its actions, noting that diligence in providing discovery disclosures and diligence in amending infringement contentions are two separate inquiries).

<sup>49</sup> Cf. *In re Hornblower Fleet, LLC*, Case No. 16CV2468-JM-LL, 2019 WL 246563, at \*3 (S.D. Cal. Jan. 16, 2019) (refusing to modify scheduling order to permit claimants to “retroactively” continue the fact discovery deadline where claimants’ behavior reflected a “lack of diligence” in raising the discovery issue with the court; collecting cases); *Santillan v. USA Waste of Cal., Inc.*, Case No. CV 14-0335 AB (SSx), 2019 WL 1715480, at \*5 (C.D. Cal. Mar. 27, 2019) (noting that court would be “inclined” to deny a motion to compel a continued deposition filed after the close of discovery where defendant was not “diligent” and “did not raise this discovery issue for nearly a year” after the court already had ruled on an earlier summary judgment motion leaving only damages in dispute).

<sup>50</sup> *In re Diisocyanates Antitrust Litig.*, MDL No. 2862, 2020 WL 7424975, at \*3 (W.D. Pa. Dec. 18, 2020).

trade secrets lawsuit.<sup>51</sup> As the Advisory Committee notes to Federal Rule of Civil Procedure 26(b)(1) point out, “the party claiming undue burden or expense ordinarily has far better information—perhaps the only information—with respect to that part of the determination” of proportionality.<sup>52</sup> Accordingly, a relevant consideration in the Rule 26 proportionality analysis for cross-border discovery using a mechanism such as a letter of request is whether the process for obtaining the cross-border discovery would disrupt or prevent timely resolution of the case in a manner that outweighs the potential benefit of the discovery that is sought.<sup>53</sup> And the court may also consider the impact that such foreign discovery requests will have on case management deadlines under its inherent case management authority.

**Best Practice 6 – If the parties expect that foreign sources of evidence may be significant to the case, the court may consider delaying an initial case management conference or holding a supplemental case management conference to address cross-border discovery issues.**

The Federal Rules of Civil Procedure place a premium on just, speedy, and economical adjudication of disputes.<sup>54</sup> For example, Rule 16(b)(2) directs trial courts to issue scheduling orders “as soon as practicable, but unless the judge finds good cause for delay, the judge must issue it within the earlier of 90 days after any defendant has been served with the complaint or 60 days after any defendant has appeared. To facilitate efficient adjudication in patent cases, many federal district courts have adopted presumptive deadlines for certain disclosures, such as infringement and invalidity contentions.<sup>55</sup> Generally, after the entry of a scheduling order, pretrial deadlines may only be amended upon a showing of good cause and with the court’s consent.<sup>56</sup>

But because discovery into foreign sources of evidence can significantly affect the case schedule, supervising courts may need to diverge from or supplement traditional case management

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<sup>51</sup> *Cf. Babcock Power, Inc. v. Kapsalis*, Civ. Act. No. 3:13-CV-717-CRS-CHL, 2017 WL 2837019, at \*27 (W. D. Ky. June 20, 2017) (in denying motion to compel discovery served outside court-ordered deadlines and also sanctioning party pursuant to Federal Rule of Civil Procedure 16, the court noted it applies a “common-sense concept of proportionality”).

<sup>52</sup> FED. R. CIV. P. 26(b)(1) advisory committee’s note to 2015 amendment.

<sup>53</sup> *Cf. Hinds v. FedEx Ground Package Sys., Inc.*, Case No. 18-cv-01431-JSW (EDL), 2019 WL 11201544, at \*2–\*3 (N.D. Cal. Mar. 8, 2019) (noting that under the Northern District of California Local Rules, parties are expected to address the proportionality of any anticipated discovery before the case management conference, while setting forth new briefing procedures for future discovery disputes to ensure that “meet-and-confer efforts do not unnecessarily delay resolution of disputes”); *In re Diisocyanates Litig.*, MDL No. 2862, 2020 WL 7427040, at \*2–3 (W.D. Pa. Dec. 18, 2020) (applying proportionality analysis to determining the time frame from which discovery should be produced).

<sup>54</sup> FED. R. CIV. P. 1.

<sup>55</sup> *See, e.g.* N.D. Cal., Patent Local Rules (rev. Jan. 17, 2017); D. Del., Default Standard For Discovery, including discovery of electronically stored information; N.D. Ill., Local Patent Rules (rev. Nov. 6, 2019); E.D. Tex. Patent Rules (eff. Feb. 22, 2005).

<sup>56</sup> FED. R. CIV. P. 16(b)(4).

procedures.<sup>57</sup> To that end, in appropriate circumstances, courts may consider delaying an initial case management conference, or holding one or more supplemental case management conferences before or after the initial scheduling conference in cases in which the parties indicate that they expect foreign sources of evidence to be significant to the presentation of their claims or defenses.<sup>58</sup> This additional time would allow the parties to develop and present specific information that will better inform not only timing but mechanics for cross-border discovery, with the goal of a more efficient process overall. Topics for discussion include: (1) the types of cross-border discovery likely to be sought; (2) the foreign jurisdiction(s) implicated; (3) the governing law of such jurisdiction(s) and anticipated procedural mechanisms to obtain discovery from the jurisdiction(s); (4) the anticipated timing associated with obtaining the cross-border discovery; (5) what role, if any, is required of the domestic court to secure the cross-border discovery; and (6) what disputes, if any, are anticipated.

## B. FOCUSING CROSS-BORDER DISCOVERY REQUESTS

**Best Practice 7 – A party seeking foreign sources of evidence via a foreign authority should first explore voluntary discovery and then, if needed, make detailed and narrowly tailored requests mindful of relevant foreign requirements and restrictions.**

Before seeking evidence via a foreign authority, a party should attempt to negotiate voluntary discovery, including but not limited to deposition of a witness in a neutral third country. Requests made through a foreign authority, such as letters rogatory or letters of request through the Hague Convention or a similar treaty, tend to be comparatively slow and resource-intensive.<sup>59</sup> Thus, it behooves parties to be thoughtful about what scope of evidence is truly necessary for their respective claims and defenses, and what compromises may be appropriate to secure voluntary compliance. For instance, where parties are pursuing information about invalidating prior art in a patent case, parties could agree to take the deposition of a single, third-party French witness in London, instead of pursuing multiple witnesses from that same third party, thus minimizing the burdens on the third party while securing necessary testimony without letters rogatory. Given the uncertainties surrounding cross-border discovery even through formal channels, the costs and time attendant to formal requests, and potential consequences such as evidence or theory preclusion, parties will be well served to consider whether alternatives to formal requests are available under the Hague Convention or similar.

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<sup>57</sup> FED. R. CIV. P. 16(b)(2).

<sup>58</sup> While the Advisory Committee recognized that in some complex cases, the parties might not be prepared to proceed with a meaningful Rule 26(f) conference within the time allotted. FED. R. CIV. P. 16(b) advisory committee's note to 2015 amendment. At the same time, the Advisory Committee observed that "in most cases it will be desirable to hold at least a first scheduling conference in the time set by the rule."

<sup>59</sup> At this time, the other treaty most commonly discussed in this area, besides the Hague Convention, is the Inter-American Convention the Taking of Evidence Abroad. Transmission of letters rogatory is authorized by 28 U.S.C. § 1781, the mechanics of which are discussed in the subsequent Best Practice.

But in those cases where a formal request proves necessary, requests to foreign authorities should be detailed, narrowly tailored, and consistent with applicable foreign requirements.<sup>60</sup> Simply forwarding U.S.-style discovery requests, without tailoring requests to the specific situation, is unlikely to be fruitful. The foreign authority may be in a country without a common law system similar to the United States, and many countries lack, or even prohibit to varying degrees, the comparatively broad pretrial discovery available in the U.S. Article 23 of the Hague Convention allows signatories to limit or refuse the extent of pretrial discovery possible. Similar restrictions may exist under other multilateral treaties or otherwise under the laws of recipients of letters rogatory. To the extent requests are enforced in the recipient jurisdiction, it will be in accordance with local procedure and practice for executing such requests, not U.S. discovery rules. Moreover, parties seeking the assistance of a foreign authority should be mindful that their requests use resources of the foreign country itself, not merely a private adversary, and limit their requests accordingly.

Detailed recommendations for implementation are beyond the scope of this *Commentary*, in view of the number of foreign jurisdictions, treaties, and laws at issue. Nevertheless, some general best practices are apparent. Requests made via foreign authority are most likely to succeed when they are detailed, narrowly tailored, and take into account the local practice and procedure. For example, the following guidelines from Department of State recommendations on letters rogatory are instructive:

- Letters rogatory should be written in simple, non-technical English and should not include unnecessary information which may confuse a court in the receiving foreign country.
- Many countries have different systems for obtaining evidence and may view U.S. discovery rules as overbroad.
- Requests for documents should be as specific as possible to avoid the appearance of being overbroad, which may result in refusal of the foreign country to execute the request.
- If particular procedures to be followed by the foreign court are preferable, include the specifics in the letters rogatory (for example, verbatim transcript, place witness under oath, permission for U.S. or foreign attorney to attend or participate in proceedings if possible, etc.)<sup>61</sup>

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28 U.S.C. § 1781 authorizes transmission of letters rogatory provided for in treaties like the Hague Convention. It allows for more than one mechanism of transmission. For example, Section 1781(b)(2) allows for transmittal directly from a U.S. tribunal to a foreign tribunal. Alternatively, Section 1781(a)(2) also authorizes the Department of State to receive a letter rogatory issued, or request made, by a U.S. tribunal (e.g., a district court), to transmit it to a foreign authority, and to receive and return it after execution. The Department of State has significant knowledge, experience, and resources in this area, while courts tend to handle requests under this section only infrequently.

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<sup>60</sup> Engaging counsel familiar with the requirements of the relevant country may therefore be advisable and should be considered.

<sup>61</sup> See U.S. Dept. of State, Bureau of Consular Affairs, Preparation of Letters Rogatory, <https://travel.state.gov/content/travel/en/legal/travel-legal-considerations/internl-judicial-asst/obtaining-evidence/Preparation-Letters-Rogatory.html> (last visited May 16, 2021).

Individual courts are also unlikely to have comparable breadth of experience regarding every possible jurisdiction to which requests could be directed.

### C. DISCOVERY OF FOREIGN PARENT OR AFFILIATE CORPORATIONS

**Best Practice 8 – A party seeking to compel evidence under Federal Rule of Civil Procedure 34 or 45 from a foreign parent or affiliate of a party or nonparty should first attempt to demonstrate to a court that the party or nonparty has “possession, custody, or control” of that evidence.**

In today’s digital world where evidence relevant to U.S. patent and trade secrets litigation may be stored or held across the globe by foreign parents or affiliated entities, or by current and former employees in different offices in disparate locations, there often arise complex questions of where and how to seek potentially relevant discovery. It often is not clear which entity or individual has control of the evidence for purposes of application of the Federal Rules of Civil Procedure, and issues of proportionality may further complicate this issue. For example, current and former employees residing in countries that have strong data privacy laws may use their own mobile devices and laptop computers for work purposes as well as personal use. Similarly, company representatives may use data management or customer service software on mobile devices issued by domestic entities, even though the actual software and data are managed through the parent’s foreign headquarters. New technologies such as the growing use of cloud computing involving shared servers spread around the world, the rise of social media, and the growing practice of employees working remotely and using their own computer systems (including storage and Internet Service Provider services), make the determination of “control” even more challenging. Arguably, the relationship between the domestic parties and the persons or foreign entities having actual possession of the documents and information will be central in each case to determining who has custody and control when ascertaining how best to apply the Federal Rules of Civil Procedure.

Against this background, the Sedona Conference has previously noted that when attempting to address disputes about production of ESI and other discovery, the federal courts have taken differing approaches as to what constitutes “possession, custody, or control” for purposes of Rules 34 and 45 of the Federal Rules of Civil Procedure.<sup>62</sup> As a general matter, the federal courts have settled upon employing one of three “broad interpretations” of when the producing party will be deemed to have Rule 34 “control” over evidence such as documents, ESI, and other materials that otherwise exists within the systems of a third party.<sup>63</sup> Although there is variation in how even these three interpretations actually are applied by the courts that employ them, they nonetheless can be summarized as follows:

- (1) **Legal Right Standard:** When a party has the legal right to obtain the documents and ESI (the “Legal Right Standard”);
- (2) **Legal Right Plus Notification:** When a party has the legal right to obtain the documents and ESI. Plus, if the party does not have the legal right to obtain the documents and ESI that have been specifically requested by its

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<sup>62</sup> See generally *Sedona Commentary on Rule 34 and Rule 45 “Possession, Custody, or Control”*, *supra* note 3.

<sup>63</sup> *Id.* at 483, 492–98.



adversary but is aware that such evidence is in the hands of a third party, it must so notify its adversary (the “Legal Right Plus Notification Standard”); and

- (3) **Practical Ability Standard:** When a party does not have the legal right to obtain the documents and ESI but has the “practical ability” to do so (the “Practical Ability Standard” or “Practical Ability Test”).<sup>64</sup>

The first of these approaches—the Legal Right Standard—requires a party to preserve, collect, search, and produce documents and electronic materials that the party has a legal right to obtain, and it has been employed by at least some federal courts within the Third, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, and Eleventh Circuits.<sup>65</sup> The second approach—the Legal Right Plus Notification Standard—has roots in case law developed in products liability litigation, and requires that a party preserve, collect, search, and produce materials that it has a legal right to obtain, but also requires that the party must notify other litigants about potentially relevant documents held by third parties. It has been adopted by at least some courts in the First, Fourth, Sixth, and Tenth Circuits.<sup>66</sup> The third approach—the Practical Ability Standard—requires a party to preserve, collect, search, and produce materials, including ESI, irrespective of that party’s legal entitlement or actual physical possession of the documents if a party has the “practical ability” to obtain such materials. The Practical Ability Standard is followed by some courts in at least the Second, Fourth, Eighth, Tenth, Eleventh, and District of Columbia Circuits.<sup>67</sup>

As the 2016 Sedona Conference publication notes, a detailed evaluation of the decisions by courts employing each of the competing interpretations reveals that those courts that employ the Legal Right Standard approach “have given greater deference to international considerations, as well as corporate formalities that apply to legally distinct entities, especially when considering affiliate/‘control’ issues.”<sup>68</sup> Accordingly, the Sedona Conference has proposed that courts try to harmonize their rulings concerning what constitutes “control” for purposes of Rules 34 and 45 and settle upon a principle whereby a responding party will be deemed to be in Rule 34 or Rule 45 “possession, custody, or control” of documents and ESI when that party has actual possession or the legal right to obtain and produce the documents and ESI on demand.<sup>69</sup> That principle is of particular relevance in the context of cross-border discovery involving patent and trade secrets litigation, where so much potentially relevant information will arguably reside in multiple digital repositories and international locations. It is the approach also adopted in this *Commentary*.<sup>70</sup>

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<sup>64</sup> *Id.*

<sup>65</sup> *Id.* at 484 & nn.10-11.

<sup>66</sup> *Id.* at 485–87 & nn. 12-15.

<sup>67</sup> *Id.* at 488–89 & nn.16-21.

<sup>68</sup> *Id.* at 505.

<sup>69</sup> *Id.* at 528.

<sup>70</sup> Notably, the Federal Circuit, albeit in dicta, has suggested that the “legal rights” test is relevant to cross-border discovery disputes involving patent litigation. *See Cochran Consulting, Inc. v. Uwatec USA, Inc.*, 102 F.3d 1224, 1229–30 (Fed. Cir. 1996) (in holding that Swiss entities did not control ROM code sought by a party alleging patent infringement, holding that “control” was “defined not only as possession, but as the legal right to obtain the documents requested upon demand”; quoting *Searock v. Stripling*, 736 F.2d 650, 653 (11th Cir.1984)).



Each case always will need to be assessed on its individual facts. However, the following is a nonexclusive list of illustrative examples where “control” for purposes of patent and trade secret disputes under Rules 34 and 45 will exist under the Sedona Conference’s proposed, uniform standard: (1) when a party or entity has actual possession of data, including data that may reflect trade secret information, proof of invention or infringement, or prior art that may reflect the validity or invalidity of a patent; (2) where there exists a clear contractual right to access or obtain the data; (3) when there is shown to be the presence of a deliberate decision to outsource critical business data relevant to a patent or trade secret dispute; (3) when a deliberate decision is made to move data potentially relevant to a patent infringement or trade secret case to a foreign jurisdiction for a litigation advantage; (4) when an individual obtains information from its own Internet Service Provider account (email, Facebook, etc.); and (5) when a separate sister/parent-subsidiary corporation has a legal right to obtain documents and ESI from its sister corporation.<sup>71</sup>

By proposing this Best Practice, the drafting team does not intend to suggest that a party resisting discovery of a foreign parent or affiliate may not also raise other objections, including but not limited to proportionality and comity issues under *Aerospatiale*.

Similarly, the following reflects a non-exclusive list of illustrative examples where “control” of potentially relevant information to a patent or trade secret case does not exist by a party from which it is sought: (1) where there may arguably be customer relationships, but yet there is no legal right by the party to demand data from a customer; (2) where as a result of informal relationships the party can do no more than “ask” that the information or data relevant to the dispute be supplied; (3) where in the context of employer/employee relationships, such as those involving a departed employee or officer, the employer does not have the legal right to obtain personal documents and ESI from the director, officer, or employee’s personal cell phone, personal email account, or personal social networking sites; (4) where the current or former employee does not have the legal right to demand or to remove the requested data from his/her employer; (5) where in the context of former directors, officers, and employee relationships there exists no legal right by the individuals to demand particular data; (6) where it is established that a separate sister/parent-subsidiary corporation does not actually have a legal right to obtain documents and ESI from its sister corporation; (7) in partial ownership, minority control situations where no legal right to demand data exists; and (8) where an international affiliate proves it will be subject to repercussions arising from data privacy or blocking statutes (e.g., a company compelled to collect and produce documents and ESI or data establishes doing so would be impermissible and perhaps a crime in the country where the information is maintained).<sup>72</sup>

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<sup>71</sup> *Sedona Commentary on Rule 34 and Rule 45 “Possession, Custody, or Control”*, *supra* note 3, at 545; *see also* *Flagg v. City of Detroit*, 252 F.R.D. 346, 353 (E.D. Mich. 2008) (listing as examples of circumstances giving rise to control: contractual provisions granting legal access; documents in the possession of a party’s agent; documents in possession of overseas affiliate (if a party “could so easily evade discovery by destroying its own copies and relying on copies maintained by its affiliate abroad, then every United States company would have a foreign affiliate for storing sensitive documents” (internal quotation marks, modification, and citation omitted)); documents in the possession of its officers or employees; and documents maintained by a third party on a company’s behalf); *J.S.T. Corp. v. Robert Bosch LLC*, No. 15-13842, 2019 WL 2354631, at \*6 (E.D. Mich. June 3, 2019) (noting that the *Flagg* decision and the 6th Circuit’s approach was consistent with the Sedona Conference’s proposed uniform standard).

<sup>72</sup> *Sedona Commentary on Rule 34 and Rule 45 “Possession, Custody, or Control”*, *supra* note 3, at 545–46.

**Best Practice 9 – In disputes about whether evidence from a foreign parent or affiliate of a party or domestic nonparty may be relevant, the party opposing production should bear the initial burden of demonstrating to the court that there is no actual possession of the evidence by the parent or affiliate.**

Following on the approach espoused in Best Practice 8, the Sedona Conference also has previously suggested that “[t]he party opposing the preservation or production of specifically requested Documents and ESI claimed to be outside its control, generally bears the burden of proving that it does not have actual possession or the legal right to obtain the requested Documents and ESI.”<sup>73</sup> Again, that is the approach also recommended in this *Commentary* where the underlying information is potentially relevant to a patent or trade secret case.

In a patent or trade secret case, it is a logical presumption that the responding party ordinarily will have access to the facts necessary to determine control.<sup>74</sup> This conclusion is implied by the language of Rule 26(b)(2)(B), which in the context of a motion to compel, specifically indicates that “the party from whom discovery is sought must show that the information is not reasonably accessible because of undue burden or cost.” Similarly, Rule 34 places the burden on a party objecting to a discovery request to state the reason for such objection, including that it lacks possession or control of the documents. However, as the 2016 Sedona Commentary notes, the principle that the producing party generally bears the initial burden of demonstrating lack of actual possession “generally applies when the responding party has greater knowledge of or access to the information that bears upon the inquiry.”<sup>75</sup> That’s because where the requesting party has equal or superior access to the facts about whether the responding party has actual possession or the legal right to obtain the requested documents and ESI, “the burden should be applied accordingly.”<sup>76</sup> Nor does this position on burdens prevent a requesting party from demonstrating through its own evidence that the responding party does have such control.<sup>77</sup>

The Sedona Conference also has suggested that courts apply a modified “business judgment rule” when resolving disputes about custody or control. That is, the Sedona Conference recommends that “[w]hen a challenge is raised about whether a responding party has Rule 34 or Rule 45 ‘possession, custody, or control’ over Documents and ESI, the Court should apply modified ‘business judgment rule’ factors that, if met, would allow certain, rebuttable presumptions in favor of the responding party.”<sup>78</sup> In order to overcome the presumptions of this modified business judgment rule, “the requesting party bears the burden to show that the responding party’s decisions concerning the

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<sup>73</sup> *Id.* at 547 (Principle 2).

<sup>74</sup> *Id.*; *see also* *In re Dunne*, No. 3:17-cv-1399 (MPS), 2018 WL 4654698, at \*5 & n.4 (D. Conn. Sept. 27, 2018) (“It is commonly accepted that an individual has ‘control’ over emails in a personal email account hosted by a third-party company, and following the Trustee’s specific evidence it became Dunne’s burden to show that he did *not* have such ability”) (citing *Sedona Commentary on Rule 34 and Rule 45 “Possession, Custody or Control,” supra* note 3).

<sup>75</sup> *Sedona Commentary on Rule 34 and Rule 45 “Possession, Custody or Control,” supra* note 3, at 548.

<sup>76</sup> *Id.*

<sup>77</sup> *Id.*

<sup>78</sup> *Id.* at 552 (Principle 3(a)).

location, format, media, hosting, and access to Documents and ESI lacked a good-faith basis and were not reasonably related to the responding party's legitimate business interests."<sup>79</sup>

As applied in the context of possession, custody, or control of documents and ESI, the Sedona Conference's proposed modified business judgment rule "would acknowledge the managerial prerogatives of an enterprise in managing its Documents and ESI if it acts on an informed basis, in good faith, and in the honest belief that the action taken was in the best interests of the organization."<sup>80</sup> Once this requisite showing is made, "absent demonstrable proof that decisions concerning the management of Documents and ESI lacked a good faith business basis, those decisions will be respected by the courts."<sup>81</sup> The burden is on the party challenging the decision to establish facts rebutting the presumption.<sup>82</sup> In that regard, courts may apply, in a slightly modified manner, the following "foundational principles" to adjudicate disputes concerning Rule 34 or 45 possession, custody, or control of documents and ESI by foreign entities: (1) there is a rebuttable presumption that good-faith decisions concerning the management of documents and ESI are not subject to discovery; (2) absent a colorable rebuttal of the presumption, courts will not substitute their judgment for that of the responding party if the decision can be attributed to a rational business purpose; (3) the presumption shields good-faith business decisions that are reasonably prudent and believed to be in the entity's best interest at the time they are made; (4) courts will not overturn decisions concerning the management of documents and ESI unless the decisions lack any rational business purpose; and (5) the rebuttable presumption shields entities from allegations of spoliation arising from good-faith business decisions made in an informed and deliberate manner (note, however, entities may be susceptible to a spoliation finding where their decisions demonstrate bad faith).<sup>83</sup>

This application of a modified business judgment rule would likewise be a prudent response by courts to cross-border discovery disputes in the context of patent and trade secret litigation, where potentially relevant information is often highly confidential digital or related to software and hardware that is subject to the control of multiple parties, including third parties, and where the cost of production can be substantial. It also limits "discovery on discovery," such as demands in trade secret cases for forensic evaluation of electronic data based solely on suspicions of what the electronic information may produce, rather than independent evidence of misappropriation.<sup>84</sup>

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<sup>79</sup> *Id.* at 552 (Principle 3(b)).

<sup>80</sup> *Id.* at 552–53.

<sup>81</sup> *Id.* at 553.

<sup>82</sup> *Id.*

<sup>83</sup> *Id.* at 553–55.

<sup>84</sup> *See, e.g.,* *Scotts Co., LLC v. Liberty Mut. Ins. Co.*, No. 2:06-CV-899, 2007 WL 1723509 (S.D. Ohio June 12, 2007) (mere suspicion that defendant was withholding ESI is an insufficient basis to permit discovery on discovery, including forensic searches of defendant's computer systems, network servers, and databases); *Hubbard v. Potter*, 247 F.R.D. 27 (D.D.C. 2008) (rejecting a request for additional discovery because speculation that other electronic documents existed does not overcome a Rule 26(g) certification).

In the context of patent or trade secret disputes, the presumption that an entity made good-faith prelitigation business decisions concerning the management of its documents and ESI “shall apply when: (1) after asserting an intention to rely upon the modified business judgment rule presumption, the entity meets its obligation to make good-faith Rule 26 disclosures concerning pre-litigation decisions that were made about Documents and ESI and (2) absent indicia of bad faith.”<sup>85</sup> Once that requisite showing is made by the party opposing the discovery, “if the requesting party wants to challenge the presumption, it bears the burden to demonstrate that the producing party’s pre-litigation decisions about Documents and ESI were made in bad faith, i.e., the entity did not act on an informed basis, or in good faith, and in the honest belief that the action taken was in the best interests of the organization, by adducing actual evidence (not mere speculation) in support of such a claim in accordance with the mandates of Rules 26(g) and 11.”<sup>86</sup> Facts supporting an “improper purpose” attack against the presumption could include business decisions in the context of the patent and trade secrets litigation that render the information more difficult or expensive to access for purposes of such litigation, without offering a corresponding business advantage, or downgrading the “usability” of electronic information without a corresponding business reason for doing so.<sup>87</sup> For instance, in the context of trade secret misappropriation, the question why electronic information was downloaded by an employee in one country, and then apparently moved to another country, might be relevant to this inquiry.

The Sedona Conference has noted that the following “adjustments” must be made to the traditional application of the business judgment rule to make this framework workable. First, the business judgment rule’s traditional “abuse of discretion” standard needs to be eliminated in this context, in favor of the “control” paradigm advanced earlier in this *Commentary*.<sup>88</sup> Second, the traditional form of the business judgment rule requires courts to honor the organization’s directors’ business judgment absent an abuse of their discretion. In the context of Rule 34 and Rule 45 possession, custody, or control, however, information technology executives, network administrators, and other personnel with decision-making authority over content that may be relevant to the patent or trade secret dispute are not directly analogous to members of boards of directors, who are company executives with associated company-wide administrative and executive power.<sup>89</sup> In contrast, personnel charged with decision making regarding the management of electronic or similar information typically occupy a lower rung in corporate managerial hierarchies.<sup>90</sup> Third, the traditional factors that courts have examined to determine whether a company properly exercised its business judgment should be adjusted for the Rules 34 and 45 context to reflect that (a) the formality of the decision is instead evaluated by the “business basis” of the decision, and (b) the impact of the decision is focused upon the possession, custody, or control of documents and ESI, rather than focused on the impact of the officers, directors and shareholders.<sup>91</sup> In this way, the focus always remains upon why the electronic information and other information are where it is, and what it is.

#### **D. MANAGING CROSS-BORDER DISCOVERY TO COUNTRIES WITH TRAVEL RESTRICTIONS**

**Best Practice 10 – If one or more parties establish a need for cross-border discovery, but international travel or access to the witnesses and sources of proof is restricted or otherwise impractical, the court may facilitate access to the sources of proof by allowing the parties to use alternative technologies.**

Traditionally, cross-border discovery required foreign travel; often the retention of foreign counsel; and depending upon the type and location of discovery, special procedures to facilitate discovery. For instance, except in very rare circumstances, depositions of witnesses located in Japan must occur at the United States Embassy or Osaka Consulate.<sup>92</sup> Orders by U.S. courts “cannot compel the Government of Japan to amend or overlook its judicial regulations and procedures.”<sup>93</sup> Given limited conference room space at the Embassy or Consulate, taking a deposition in Japan required an additional layer of coordination, even in the best of circumstances.

At times, including but not limited to the COVID-19 pandemic, restrictions on travel or other barriers to accessing discovery (such as technological limitations of sharing electronic information) have added further complexity to cross-border discovery. For instance, the dynamic nature of COVID-19 infection rates has made predicting the ability to travel to any country tenuous at best, even if the parties can coordinate such discovery.<sup>94</sup> But along with inconvenience, these limitations also offer opportunity, particularly when the parties and the court work collaboratively to consider and establish procedures for the use of alternative technologies—such as, for example, videoconferencing means for remote depositions<sup>95</sup>—to facilitate access to the sources of proof. Discussing and establishing such procedures in advance may facilitate a more orderly interaction; set expectations for scope and conduct; and avoid costly or time-consuming disputes, particularly in the circumstance when the court may not be logistically available to resolve disputes in real time. The procedures might touch on a wide range of issues, such as whether the time for a deposition should be extended *ex ante* given the nature of the examination; whether certain procedures should be implemented for the use of particularly sensitive information such as source code or design documents; whether a protective order specific to certain sources of proof is advisable to afford additional protections; and whether certain precautions are necessary to address any public health risks for a testifying witness or counsel. Such arrangements should take into account applicable U.S. and foreign law and regulations.

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<sup>85</sup> *Sedona Commentary on Rule 34 and Rule 45 “Possession, Custody or Control,” supra* note 3, at 557–58.

<sup>86</sup> *Id.* at 558 (footnotes omitted).

<sup>87</sup> *Id.* at 558–59.

<sup>88</sup> *Id.* at 559.

<sup>89</sup> *Id.* at 559–60.

<sup>90</sup> *Id.* at 560.

<sup>91</sup> *Id.* at 560–61.

<sup>92</sup> U.S. Embassy & Consulates in Japan, Depositions in Japan, <https://jp.usembassy.gov/depositions-in-japan/> (last visited May 16, 2021).

<sup>93</sup> *Id.*

<sup>94</sup> As of this writing, the United States Embassy in Japan indicated that it was not accepting reservations for conference rooms in 2021 until further notice.

<sup>95</sup> Rule 30(b)(4) of the Federal Rules of Civil Procedure allows parties to stipulate to taking a deposition by telephone or other remote means. With advances in technology, virtual depositions through videoconferencing platforms or court reporting services can allow participants to visualize each other as well as exhibits similar to a live deposition.

**Best Practice 11 – The parties should discuss with each other and then with the court special procedures that may be needed when obtaining remote access to particularly sensitive documents or information located in a foreign jurisdiction.**

As mentioned above, certain highly sensitive types of evidence when located in foreign jurisdictions may pose particular challenges, both logistically and legally, for parties and supervising courts, especially when the source of proof is at the core of the dispute or poses technological issues. Producing parties may be particularly concerned regarding unintended or inevitable disclosure, while requesting parties may be particularly concerned about the impact of limited access to their claims and defenses. These concerns are acute in actions that involve direct competitors who are still actively developing, marketing, and selling commercial products. To address these concerns, the disclosing party must be prepared to specifically articulate the potential risk(s) so that the parties and supervising courts may consider mechanisms that are tailored to address those risks, such as additional protective orders; restrictions on access (e.g., read-only); limitations on copying, download size, and format (e.g., no native file download); and costs. In crafting solutions, the parties and the court also must be aware and responsive to work product and privilege concerns.

One example of highly sensitive evidence that may pose unique challenges is design documents. Foreign design documents and communication about such design documents may require translation, which in turn requires a certified translator sufficiently versed in the technology to accurately translate the information. Another example reflected in Patent Local Rules across the country is source code.<sup>96</sup> A closer look at the challenges posed by source code appears in the sections that follow.<sup>97</sup>

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<sup>96</sup> N.D. Cal., Patent Local Rules (rev. Jan 17, 2017); D. Del., Default Standard For Source Code Discovery.

<sup>97</sup> *See* Grupo Petromex, S.A. DE C.V. v. Polymatrix AG, Nos. 16-cv-2401 (SRN/HB) & 19-mc-092 (SRN/HB) (D. Minn. July 2, 2020 & Aug. 1, 2020): (Hague Convention authorization issued, and, over the plaintiffs' objection, court granted defendant's motion for an order pursuant to Federal Rule of Civil Procedure 30(b)(4) that the depositions proceed remotely using videoconferencing technology. While the Court recognized "the advantages of in-person depositions under ordinary circumstances," it noted that "these are not ordinary circumstances" and the necessary restrictions related to the COVID-19 pandemic would likely continue for an indeterminate amount of time); *Panasonic Corp. v. Getac Tech. Corp.*, No. SA CV 19-01118-DOC (DFMx) (C.D. Cal. Aug. 6, 2020) (granting defendant's motion to compel plaintiff to make available for deposition its employee witnesses from Japan, with the Court ordering that the depositions shall take place on or before September 25, 2020 in the Central District of California, the District of Hawaii, or such other location as agreed upon by the parties); *Bio-Rad Labs., Inc. v. Stilla Techs., Inc.*, No. 1:19-cv-11587-WGY (D. Mass. Aug. 20, 2020) (entering an order for a Commission to Take Foreign Deposition addressed to "Any Consular Officer of the United States Assigned to Paris, France" and requesting that oral depositions of witnesses from a French entity defendant be taken at the United States Embassy in Paris or remotely by videoconference," while also specifying that, "[i]n view of any current or potential COVID-19 related restrictions at the time of depositions, the parties and witnesses have consented and request to conduct the depositions remotely by videoconference at [defendant's] principal place of business or other location to be agreed upon by the parties.")

In Italy, special rules issued during the COVID-19 Emergency has provided for the possibility of dealing with civil hearings through remote connection, but only when they do not require the presence of persons other than the lawyers, the parties and the auxiliaries of the judge. Therefore hearing aimed to witnesses could not be held remotely. However, on April 16, 2020, the Permanent Bureau of the Hague Convention issued a Guide on Use of Video-Link under Evidence Convention, <https://www.hcch.net/en/news-archive/details/?varevent=728> (last visited May 16, 2021).

## E. MANAGING CROSS-BORDER DISCOVERY OF SOURCE CODE

**Best Practice 12 – If access to source code located outside the United States is required, the parties should discuss with each other and then with the court how to facilitate access to the source code.**

The complexities surrounding parties gaining access to computer software—particularly the underlying source code for the software—presents some of the most significant logistical problems in patent, copyright, and trade secrets litigation. These complexities are further compounded when the underlying source code is located on computers located outside the United States, and can become particularly problematic when there are restrictions on international travel, such as during the COVID-19 pandemic of 2020.

Source code can generally be thought of as “a computer program written in a high level human readable language,” examples of which include the well-known C, C++ and Java programming languages.<sup>98</sup> Source code is compiled into what is known as “object code,” which can be thought of as machine language “required for the program’s execution by a computer.”<sup>99</sup> It is not uncommon for sophisticated source code programs to include millions of lines of code, and the software typically is deemed extraordinarily confidential by the companies that develop and license it. As a result, source code can be protected simultaneously as patentable subject matter, copyrightable content, and as a trade secret. In some circumstances, it may even be subject to national security concerns.<sup>100</sup>

One particularly important characteristic of source code is that it frequently is deemed the single most valuable asset to both Fortune 500 companies and technology start-ups alike, impacting their valuations.<sup>101</sup> Not surprisingly, therefore, companies whose business models are rooted in the use, development, licensing, exploitation, or marketing of computer software can be particularly sensitive about how parties are allowed to review the underlying source code. Nonetheless because source code analysis can be integral to establishing or defending against a claim of patent infringement, copyright infringement, or misappropriation of trade secrets, it is critical that both the plaintiff and

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<sup>98</sup> *Reiffin v. Microsoft Corp.*, 214 F.3d 1342, 1344 (Fed. Cir. 2000).

<sup>99</sup> *Id.*

<sup>100</sup> *See, e.g., United States v. Sinovel Wind Group Co. Ltd.*, 794 F.3d 787, 789 (7th Cir. 2015) (denying mandamus and review under the collateral order doctrine of a denial by the district court of a motion to quash service on a Chinese corporation by the United States through its 100% domestic controlled subsidiary, where the Chinese company was accused of attempting to steal computer source code protected both by copyright and trade secrets that the government contended the Chinese company intended to use to assist in operating its own wind turbines); *Karn v. United States Dep’t of State*, 925 F. Supp. 1 (D.D.C. 1996) (upholding State Department’s designation of computer diskette containing cryptographic software as a “defense article” subject to export limitations), *remanded on other grounds*, 107 F.3d 923 (D.C. Cir. 1997).

<sup>101</sup> High Tech start-ups that achieve investor valuations of one billion dollars even have their own nickname—i.e., “unicorn.” One publication estimated that as of 2020, there were more than 400 such “unicorns” worldwide, many of which provided computer-software related services in areas like Artificial Intelligence (AI), e-commerce, cybersecurity, and Fintech. *See* CBInsights, *The Global Unicorn Club* (2020), <https://www.cbinsights.com/research-unicorn-companies> (last visited May 16, 2021).



the defendant be permitted to engage source code experts or forensic software analysts to review the source code and to assist the lawyers in preparing expert reports directed to the underlying claims.

One consequence of this practice is that some district courts in the United States, as well as the ITC and individual judges, have developed model (default) protective orders that include unique provisions governing production of source code for use in patent, copyright and trade secret litigation.<sup>102</sup> Because the need for the source code in the underlying cases is fact specific, these model protective orders frequently are further modified by the attorneys to add (or delete) particular conditions related to how and where the source code will be produced, and who can view it (including in what form). Typical restrictions pertaining to source code that are contained in both model and modified protective orders include: (a) provisions governing what place(s) and times the source code may be reviewed electronically (*e.g.*, normal business hours at counsel's office or a source code repository); (b) limitations on what individuals may review the source code (typically restricted to counsel, court personnel, and experts); (c) the conditions by which the source code may be accessed, including what tools or media devices may be used to analyze the code; (d) provisions establishing whether electronic copying or printing of the code is permitted (including how many pages may be copied), and in what form(s); (e) requirements ensuring that any access by experts can be monitored, and that logs are maintained to reflect what individuals accessed the electronic versions of source code, and when; (f) restrictions on how the source code may be produced as exhibits and referenced in court filings and expert reports; (g) provisions governing how the source code may be accessed and produced at depositions or made available as evidence at trial (sometimes requiring the courtroom to be closed); and (h) conditions setting the remedies for inadvertent, intentional, or unauthorized disclosures of the source code. Moreover, some protective orders also include provisions restricting any attorney with access to source code from prosecuting patent applications related to the technology covered by the source for a period of time after such access, which often may be one or more years.

It is important to note that even such typical restrictions on source code access set forth in model protective orders may not be appropriate in every case, regardless of where the source code will be accessed. For instance, in copyright and trade secret cases (and even some patent infringement actions), where access and copying may be critical elements of the underlying claims, it may be critical for the parties to ascertain via forensic or other means *when* and by *whom* the source code was developed, and how. Such forensic analysis may require more robust access to the electronic source code by parties than situations in other cases where expert evaluation of the software is focused solely on how the source code functions. Every case is somewhat fact dependent.

Nonetheless, when source code that is relevant to a patent, copyright, or trade secrets action resides on foreign computers, courts and counsel need to be cognizant that many prominent features of

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<sup>102</sup> See, *e.g.*, N.D. Cal. Patent Local Rule 2-2 Interim Model Protective Order, § 7.3; N.D. Cal. Model Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information and/or Trade Secrets, § 7.3; E.D. Tex. Sample Protective Order for Patent Cases, § 10; Source Code Provision To Be Inserted in Model Commission APO; see also Sedona Conference, *Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter*, available at [https://thesedonaconference.org/publication/Commentary\\_on\\_Patent\\_Litigation\\_Best\\_Practices\\_Case\\_Management\\_Issues\\_from\\_the\\_Judicial\\_Perspective](https://thesedonaconference.org/publication/Commentary_on_Patent_Litigation_Best_Practices_Case_Management_Issues_from_the_Judicial_Perspective), Best Practice 19 (“The court should require the parties to address in the Rule 26 joint discovery plan how and where they believe any computer source code production should be made available to the parties and experts.”).



existing or typical protective orders will need to be modified. Indeed, if the source code resides on the computers of a third party located in a foreign jurisdiction, it may not even be feasible to impose any of the conditions of a U.S. protective order without the cooperation of the judicial authorities located in that country.<sup>103</sup>

One particularly important situation that will necessitate the courts and counsel to consider amending model or typical protective orders exists when international travel is restricted or is not feasible, such as during the COVID-19 crisis of 2020.<sup>104</sup> This likely will require the parties to initiate a dialogue to determine what logistical obstacles need to be overcome, and how. Where those discussions do not resolve all the problems with security, travel, recording of the witnesses, etc., the court may need to weigh in on the issue.<sup>105</sup>

In such situations, the courts and parties likely will need to ensure that some of the more restrictive conditions typically included in model or stipulated protective orders governing the use of source code do not wholly prevent access to critical sources of proof, or impair how software-related evidence can be used at depositions or trial.<sup>106</sup>

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<sup>103</sup> *Cf.* Sun Group U.S.A. Harmony City, Inc. v. CRCC Corp. Ltd., No. 17-cv-02191-SK, 2019 WL6134958 (N.D. Cal. Nov. 19, 2019) (refusing motion to require production of source stored on servers in China occur in accordance with procedures established by the Hague Convention, and instead finding that the defendant could access the source code via computers maintained by subsidiaries in the United States, thereby allowing the Federal Rules of Civil Procedure to govern production); Autodesk, Inc. v. ZWCAD Software Co. Ltd., No. 5:14-cv-01409-EJD, 2015 WL 1928184 (N.D. Cal. Mar. 27, 2015) (in case where plaintiff brought action for copyright infringement and misappropriation of trade secrets, denying defendant's motion to require all evaluation of source code deposited in China be conducted under the Hague Convention, or to modify the protective order to require all inspection of the source code occur in China, where the code had been deposited).

<sup>104</sup> *Cf.* Gracenote, Inc. v. Free Stream Media Corp., C.A. No. 1:18-cv-01608-RGA (D. Del. Sept. 22, 2020) (entering joint stipulation to stay case in part because plaintiff's both parties' technical experts designated for conducting in-person review of source code resided in foreign countries, one of whom was from the Netherlands and was barred from entry into the United States pursuant to the entry ban on travelers from Europe, and one of whom was subject to a substantial risk that he would be prohibited from returning to Chile (where he resided) if he traveled to the United States for such an inspection).

<sup>105</sup> *Cf.* Coolpo Licensing LLC v. Festa, No. CV-19-05473-PHX-DWL, 2020 WL 3192421 (D. Az. June 15, 2020) (denying plaintiff jurisdictional discovery in a patent litigation directed to potential sources of evidence purported to be located in the ongoing COVID-19 pandemic," plaintiff's "request is based on nothing more than a hunch that it might, if allowed to pursue discovery in China, locate information relevant to the question of jurisdiction"); Sanho Corp. v. Kaijet Tech. Int'l Ltd., Inc., No. 1:18-cv-05385-SDG (N.D. Ga. Mar. 30, 2020) (in a patent infringement action, denying motion to compel Taiwanese resident to appear for deposition in Atlanta during COVID-19 epidemic, and instead ordering the deposition to occur by videoconference or teleconference).

<sup>106</sup> *Cf.* Regal Beloit Am., Inc. v. Broad Ocean Motor LLC, No. 4:16-cv-00111-JCH, 2017 WL 35702 (E.D. Mo. Jan. 4, 2017) (refusing to provide a requirement in a protective order governing a patent infringement action would necessitate that all discovery related to documentation in China be conducted in accordance with the Hague Convention, in part because defendant could not identify any documentation that, if produced under the Federal Rules of Civil Procedure, would necessarily contradict China's Declaration on accession to the Hague Convention); Bell North Research, LLC v. Samsung Electronics Co. Ltd., No. 2:19-cv00286-RBG (E.D. Tex. July 30, 2020) (entering Addendum To The Stipulated Supplemental Protective Order and providing for remote Source Code review using "specially-configured source code discovery laptops . . . which can be shipped to reviewers who are sheltering in place, and enable the recipient . . . to review code in an environment designed to approximate the security precautions that have become a longtime standard at the [producing party's] dedicated source code discovery facility"; each reviewer provided with a laptop must "use the shipping container and/or packing materials" in which

For instance, in such situations, it may be necessary to permit access to the source code in ways not typically contemplated by model protective orders used in patent, copyright, and trade secret cases.<sup>107</sup> On the other hand, the need for security to protect the source code must also remain a paramount concern.

In that regard, the court may need to order that copies of the electronic source code can be shipped to and maintained by a party's primary consultant on a stand-alone and encrypted laptop with no internet connection, and no connections to a printer.<sup>108</sup> Where the consultant resides overseas, or where the source code originates from an overseas location, additional restrictions may be warranted, including how the code is electronically transmitted. In such circumstances, it may be necessary to effect a transfer of the code from the overseas locations by a trusted third party, such as a source code escrow service, perhaps placing the costs of such transfer on the party demanding its production. Where the consultant will be permitted access to the code on a stand-alone and encrypted computer, limitations requiring access to the source code at particular times, such as normal business hours, also may need to be relaxed, subject to new protections such as requiring that advance notice be made to the producing party when the consultant will be reviewing the code outside business hours. Measures likely will need to be designed to ensure that all evaluations and printings of the code are logged.<sup>109</sup> In lieu of typical live monitoring of consultants during their access to the source code, provisions ensuring video monitoring (such as via webcam) also may need to be employed.<sup>110</sup> Provisions must exist that ensure of the code cannot be used in any way outside the immediate litigation. In all situations, however, the modifications required to existing source code protections may be necessitated by unusual facts and circumstances of the case.

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the laptop was received to return the laptop "following the completion of their review, but in no event later than 14 days after delivery").

<sup>107</sup> See, e.g., *Fisher-Rosemount Sys., Inc. v. ABB Ltd.*, No. 4:18-cv-00178-KPE (S.D. Tex. Aug. 6, 2020) (in the wake of COVID-19, entering stipulated source code protocol whereby the producing party was required to load its source code on a securely hosted virtual machine and to provide access to an authorized reviewer through either a network server with a publicly facing API or a source code review laptop wherein the only functionality was to access the source code virtual machine through the network server); *Impact Engine, Inc. v. Google LLC*, No. 19-cv-01301-CAB-BGS (S.D. Cal. May 18, 2020) (denying motion to compel relate to discovery concerning source code located within the San Francisco Bay area that was subject to shelter-in-place conditions, and instead ordering the parties to "meet and confer to propose an alternative method for parties to inspect source code, whether it involve remote access with a secure network or any other alternative method that would be compatible while following COVID-19 guidelines.")

<sup>108</sup> See, e.g., *Intellectual Pixels Ltd. v. Sony Interactive Entertainment LLC*, No. 8:19-cv-01432-JVS-KES (C.D. Cal. May 21, 2020) (modifying protective order entered in patent litigation due to COVID-19, noting that since public health orders and advisories issued during the pandemic made it impossible for the parties to inspect source code pursuant to the in-person review procedures of the existing protective order, the court would permit certain alternative provisions for where and how the source code could be accessed, as well as procedures for using the source code during depositions).

<sup>109</sup> *Id.*

<sup>110</sup> *Id.*; see also *SkyHawke Tech., LLC v. DECA Int'l Corp.*, No. CV 18-1234-GW (PLAx) (C.D. Cal. June 1, 2020) (in addition to impose strict conditions how access to source code would occur in a clean room during the COVID-19 pandemic, requiring monitoring of inspections by remote camera).

**Best Practice 13 – If source code for a deposition outside the United States is required, the parties should attempt to reach agreement on how to maximize the security of the source code.**

Because software may consist of millions of lines of source code whose functions can be called from many different and widely separated parts of the underlying programming, it will not always be feasible for the parties to rely upon written copies of the code as exhibits at depositions or trial. As a result, there may be situations where the witnesses and experts will need to have access to the electronic version of the source code so that they can swiftly and with greater certainty locate particular lines or modules that exist in different parts of the programming. In such situations, if the deposition (or even trial testimony) requires the witnesses or experts to testify from a foreign location, or to access source code that is located on computers located outside the United States, it will be essential that the parties attempt to work out in advance how they expect the electronic version of the code to be made available to all participants, including the court.

When feasible and without compromising substantive discovery, efforts should be made to minimize use of electronic source code at remotely conducted foreign depositions. The parties should be mindful of the high degree of confidentiality associated with the source code and take appropriate measures to ensure its security. For instance, private chat functions should be disabled, and breakout room features should only be employed when the foreign witness is not being deposed and the parties are off the record. Counsel should not have access to mobile devices or email during the deposition, thereby preventing any live communications between counsel and the witness, or counsel and third parties, that might privately disclose the content or functionality of the source code. Attempts also should be made to ensure that the videoconference feed itself is secure, and that unless absolutely necessary, no video recording is made that reflects the actual content of the source code being reviewed by the witness. It may be prudent for the parties to agree to a “test run” of the videoconference platform used for the foreign deposition, to ensure that there are no issues about source code security (let alone the deposition itself). Provisions also should be made to ensure the deposition can be suspended due to unforeseen technical issues.

**Best Practice 14 – If source code located outside the United States is required for foreign deposition or at trial, the parties ordinarily should limit their use of source code during deposition or at trial to printouts of portions of such code.**

As noted in the commentary to Best Practice 13, it is common for courts and counsel in patent, copyright, and trade secrets litigation to include restrictions on when, where, how, and by whom source code may reviewed, whether the source code is produced electronically or by paper copies. For instance, it is not uncommon for the protective order in a patent, copyright, or trade secret case to require all electronic versions of source code to be maintained on a single standalone computer without an internet connection or USB<sup>111</sup> access, and for any depositions requiring access to this code to be taken at the location of the standalone computer. It also is not uncommon for protective

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<sup>111</sup> Universal Serial Bus. See *The Sedona Conference Glossary: eDiscovery & Digital Information Management, Fifth Edition*, 21 SEDONA CONF. J 263 (2020).

orders to incorporate additional requirements that further restrict the use of source code at trial to written copies of the code.

Many of these conditions may prove to be unworkable when deposition or trial witnesses crucial to explaining how the code functions or originally was programmed are located in foreign countries subject to international travel restrictions, or where the source code itself only exists on computer(s) located within a foreign jurisdiction and the local authorities refuse to allow the parties access to the relevant computer(s) or software. In such cases, in addition to potentially modifying how any deposition itself will be conducted (i.e., determining what measures will be employed to ensure the video feed itself is secure, how the exhibits will be introduced, how any translation issues will be handled, and where testimony from the witnesses will be recorded), the parties should wherever possible try to stipulate to limit the use of source code to written examples to ensure the maximum protection and confidentiality of the source code.

In particular, counsel for any party who expects to use source code during a deposition occurring in a foreign jurisdiction should expect that he/she will be required to notify counsel for the opposing party and any third parties in advance of deposition as to what portions of the source code he/she may use and mark as exhibits at the deposition. If one or both of the parties will not stipulate to this condition, the court should place the burden on the individual(s) opposed to providing advance notice to develop procedures that ensure the source code can be used as exhibits in real time while also remaining secure. Where advance notice is required, courts should as a general rule state in the protective order (or any modification to an existing protective order) that compliance with such a condition shall not be deemed a waiver of attorney work-product privilege.

Further, precautions should be considered and taken to ensure that even the use of written source code at foreign depositions (or trial) is minimized, and cannot be used to impair the extreme confidentiality of the code itself. For instance, to maximize source code security, the parties also should consider whether it will be necessary for either party to provide the court reporter with actual copies of the source code as exhibits, or whether offering Bates numbers (or a similar identifier, such as the name of the source code module and relevant source code line numbers) will suffice. This solution may be particularly appropriate if the court reporter is transcribing the deposition remotely. Because the party taking the deposition may be required to provide advance notice of what portions of the source code will need to be printed, the party in custody of the source code will in all probability need to be responsible for copying it, even where the printed copies are not used at the deposition. To the extent there are any issues about printing costs arising from such procedures, they should be worked out by the parties in advance of the deposition(s). Any copies of the source code not marked as exhibits should be ordered destroyed promptly and in a secure fashion following the conclusion of the deposition.

## *IV. Enforcing Access to Proof in Cross-Border Discovery in Patent and Trade Secret Cases*

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### A. FOREIGN STATE INTERESTS AND COMITY

**Best Practice 15** – In resolving disputes relating to foreign discovery, the parties should be prepared to address at least the following comity factors:

- (1) the importance to the litigation of the information requested;
- (2) the degree of specificity of the request, especially as it relates to the relevant intellectual property;
- (3) whether the information originated in the United States;
- (4) the availability of alternative means of securing the information;
- (5) the extent to which noncompliance with the request would undermine important interests of the United States in enforcing patent and trade secrets rights, or compliance with the request would undermine important interests of the state where the information is located;
- (6) the extent and the nature of the hardship that inconsistent enforcement of the discovery would impose on the foreign state;
- (7) the extent to which enforcement by action of either state can reasonably be expected to achieve compliance with the rule prescribed by that state;
- (8) the compliance hardship on the party or witness from whom discovery is sought;
- (9) the good faith of the party resisting discovery.

In its seminal decision that evaluates how comity interests should be addressed when discovery as permitted under the Federal Rules of Civil Procedure is in clear tension with the applicability of a foreign blocking statute, the U.S. Supreme Court in *Aerospatiale* admonished that foreign laws precluding the disclosure of evidence “do not deprive an American court of the power to order a party subject to its jurisdiction to produce evidence even though the act of production may violate

that statute.”<sup>112</sup> Rather, “[e]xtraterritorial assertions of jurisdiction are not one sided.”<sup>113</sup> When a United States district court has jurisdiction over the subject matter of civil litigation, the Supreme Court observed that Federal Rules of Civil Procedure ordinarily will apply, and the district court may not need to resort to more onerous mechanisms like the Hague Convention to require the production of relevant discovery.<sup>114</sup> According to the Court, an interpretation of the Hague Convention as the exclusive means for obtaining evidence located abroad “would effectively subject every American court hearing a case involving a national of a contracting state to the internal laws of that state.”<sup>115</sup>

On the other hand, the Supreme Court in *Aerospatiale* also was sensitive to the importance that other foreign jurisdictions place on their internal discovery practices, as well as the disadvantages that application of the Federal Rules of Civil Procedure creates for foreign defendants. The Court emphasized that “judicial supervision of discovery should always seek to minimize its costs and inconvenience, and to prevent improper uses of discovery requests.”<sup>116</sup> The Court also cautioned that trial courts should ensure cross-border discovery does not engender discovery abuse.<sup>117</sup>

*Aerospatiale* therefore instructs trial courts to conduct a careful comity analysis whenever an argument is raised that civil discovery pursuant to the Federal Rules of Civil Procedure arguably conflicts with foreign law. In particular, the *Aerospatiale* Court set out five factors derived from the Restatement of Foreign Relations Law of the United States (Revised) § 437(1)(c) for district courts to consider in such situations: (1) the importance to the litigation of the documents or other information requested; (2) the degree of specificity of the request; (3) whether the information originated in the United States; (4) the availability of alternative means of securing the information; and (5) the extent to which noncompliance with the request would undermine important interests of the United States, or compliance with the request would undermine the important interests of the state where the information is located.<sup>118</sup> However, as the Ninth Circuit has observed, these five factors are not exhaustive.<sup>119</sup> Accordingly, the Ninth Circuit and some district courts have expanded on the *Aerospatiale* factors by suggesting that it also may be appropriate to consider (6) the extent and the nature of the hardship that inconsistent enforcement would impose upon the person; and (7) the extent to which enforcement by action of either state can reasonably be expected to achieve

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<sup>112</sup> *Aerospatiale*, 482 U.S. at 539–40, 544 n.29.

<sup>113</sup> *Id.*

<sup>114</sup> *Id.* (stating that “enactment of [a statute like France’s blocking statute] by a foreign nation [cannot] require American courts to engraft a rule of first resort onto the Hague Convention, or otherwise to provide the nationals of such a country with a preferred status in our courts”; rather, “[i]t is clear that American courts are not required to adhere blindly to the directives of such a statute”).

<sup>115</sup> *Id.* at 539.

<sup>116</sup> *Id.* at 546.

<sup>117</sup> *Id.*

<sup>118</sup> *Id.* at 544 n.28; see also RESTATEMENT OF FOREIGN RELATIONS LAW OF THE UNITED STATES (REVISED) § 437(1)(c).

<sup>119</sup> *Richmark Corp. v. Timber Falling Consultants*, 959 F.2d 1468, 1475 (9th Cir. 1992).

compliance with the rule prescribed by that state.<sup>120</sup> Likewise, several district courts have suggested that in addition to the five factors identified by the Supreme Court in *Aerospatiale*, trial courts considering compelling production of discovery under the Federal Rules of Civil Procedure from foreign sources should also weigh (8) the hardship of compliance on the party or witness from whom discovery is sought; and (9) the good faith of the party resisting discovery.<sup>121</sup>

Clearly, it may not be necessary for a court to balance all nine factors identified as being relevant to the comity analysis, and no court appears to have ever analyzed all of them in an opinion.<sup>122</sup> Rather, the applicability of additional factors beyond the original five identified by *Aerospatiale* may depend upon the facts of a particular case and the nuances of the underlying discovery dispute. For instance, it might matter if the dispute arose *ex post*, after a party refused to produce discovery under the Federal Rules, as opposed to *ex ante*, where the question is whether a particular statute, convention, or treaty governing a pending request is mandatory or optional.<sup>123</sup> In an appropriate situation, a trial court handling a patent or trade secrets matter also might want to consider some of the unique comity factors set forth in the Clarifying Lawful Overseas Use of Data (CLOUD) Act, 18 U.S.C. § 2703(h). That statute, enacted in 2018, governs United States law enforcement orders issued under the Stored Communications Act that may reach certain data located in other countries. As a result, the CLOUD Act's comity factors might prove useful to courts addressing whether to compel production under the Federal Rules of Civil Procedure of electronic data stored in a foreign jurisdiction, particularly where the underlying facts suggest that the alleged unlawful activities might implicate U.S. statutes criminalizing the behavior (such as a criminal trade secrets issue).<sup>124</sup>

<sup>120</sup> *Id.*; see also *Behrens v. Arconic Inc.*, Civ. Act. No. 19-2664, 2020 WL 1250956, at \*4, n.8 (E.D. Pa. Mar. 13 2020) (noting that the two factors applied in the Ninth Circuit might be relevant, but not considering them since the parties did not brief them).

<sup>121</sup> *In re Grand Jury Investigation of Possible Violations of 18 U.S.C. § 1956 and 50 U.S.C. § 1705*, 381 F. Supp. 3d 37, 66 (D.D.C. 2019), *aff'd sub nom.*, *In re Sealed Case*, 932 F.3d 915 (D.C. Cir. 2019); *Wultz v. Bank of China Ltd.*, 910 F. Supp. 2d 548, 553 (S.D.N.Y. 2012); *Strauss v. Credit Lyonnais, S.A.*, 249 F.R.D. 429, 454–56 (E.D.N.Y. 2008); *S.E.C. v. Stanford Int'l Bank, Ltd.*, 776 F. Supp. 2d 323, 330 (N.D. Tex. 2011); *In re Global Power Equip. Corp.*, 418 B.R. 833, 837 (Bankr. D. Del. 2009).

<sup>122</sup> *Cf. Aerospatiale*, 482 U.S. at 544 n.28 (noting that the Restatement comity factors might not “represent a consensus of international views on the scope of the district court’s power to order foreign discovery in the face of objections by foreign states,” but it supplied factors that were “relevant to any comity analysis.”).

<sup>123</sup> *Cf. St. Jude Medical S.C., Inc. v. Janssen-Counotte*, 104 F. Supp. 3d 1150, 1161 (D. Or. 2015) (in the context of trade secret dispute, evaluating whether cross-border discovery would be allowed the Hague Convention, and noting that the dispute was arising *ex ante* whereas the question in *Aerospatiale* arose *ex post*).

<sup>124</sup> 18 U.S.C. §2703(h)(3) reads as follows:

(3) COMITY ANALYSIS.—For purposes of making a determination under paragraph (2)(B)(ii), the court shall take into account, as appropriate—

- (A) the interests of the United States, including the investigative interests of the governmental entity seeking to require the disclosure;
- (B) the interests of the qualifying foreign government in preventing any prohibited disclosure;
- (C) the likelihood, extent, and nature of penalties to the provider or any employees of the provider as a result of inconsistent legal requirements imposed on the provider;
- (D) the location and nationality of the subscriber or customer whose communications are being sought, if known, and the nature and extent of the subscriber or customer’s connection to the United States, or if the

Regardless, whenever a discovery dispute that implicates *Aerospatiale* arises in the context of a U.S. patent or trade secret case, it would be prudent for the court to suggest that the parties in their motion papers address at least the nine factors identified by Supreme Court and other courts as being potentially relevant to the analysis, even if some of the factors ultimately prove to be irrelevant or redundant. The unique nature of intellectual property disputes also likely will require that the factors be tailored so that the court may assess the interests of the foreign nation's own intellectual property statutes, including to what extent those foreign laws permit discovery to assess patent infringement, patent invalidity, or the misappropriation of trade secrets.<sup>125</sup>

**Best Practice 16 – In resolving disputes relating to cross-border discovery, particular emphasis should be placed upon whether noncompliance with the request would undermine important intellectual property interests of the United States, and whether compliance with the request would undermine important interests of the foreign state where the information is located.**

Many courts have suggested that the fifth comity factor cited by *Aerospatiale*—that is, the balance of national interests—is the most important factor in determining whether a court should order discovery despite the presence of a blocking statute or similar obstacle to production.<sup>126</sup> To resolve this important question, the Restatement suggests that courts should assess the interests of each nation in requiring or prohibiting the disclosure, and determine whether disclosure would affect important substantive policies or interests of either the United States or the foreign country involved.<sup>127</sup> Further, when assessing the strength of a foreign country's interest, the court may consider expressions of interest by the foreign state, the significance of disclosure in the regulation of the activity in question, and indications of the foreign state's concern for confidentiality prior to

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legal process has been sought on behalf of a foreign authority pursuant to section 3512, the nature and extent of the subscriber or customer's connection to the foreign authority's country;

(E) the nature and extent of the provider's ties to and presence in the United States;

(F) the importance to the investigation of the information required to be disclosed;

(G) the likelihood of timely and effective access to the information required to be disclosed through means that would cause less serious negative consequences; and

(H) if the legal process has been sought on behalf of a foreign authority pursuant to section 3512, the investigative interests of the foreign authority making the request for assistance.

<sup>125</sup> *Cf.* *Tulip Computs. Int'l B.V. v. Dell Comput. Corp.*, 254 F. Supp. 2d 469, 474–75 (D. Del. 2003) (granting request in patent infringement action for issuance of Letters of Request directed to two citizens of Netherlands alleged to have knowledge relevant to the invalidity and noninfringement defenses of defendant, despite plaintiff's arguments that the Netherlands had made reservations to the Hague Convention that allegedly conflicted with the discovery requests included in the proposed Letters of Request).

<sup>126</sup> *See, e.g.*, *Richmark Corp. v. Timber Falling Consultants*, 959 F.2d 1468, 1476 (9th Cir. 1992); *In re Xarelto (Rivaroxaban) Products Liability Litig.*, MDL No. 2592, 2016 WL 3923873, at \*17 (E.D. La. July 21, 2016); *Rotstain v. Trustmark Nat'l Bank*, No. 3:09-CV-2384-N-BG, 2015 WL 13031698, at \*3 (N.D. Tex. Dec. 9, 2015) (noting that the hardship of compliance on the party or witnesses from whom discovery is sought also carries significant importance); *Laydon v. Mizuho Bank, Ltd.*, 183 F. Supp. 3d 409, 422–23 (S.D.N.Y. 2016).

<sup>127</sup> RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW § 442 cmt. c.



the controversy.<sup>128</sup> As the Ninth Circuit has noted, “[w]here the outcome of litigation does not stand or fall on the present discovery order, or where the evidence sought is cumulative of existing evidence, courts have generally been unwilling to override foreign . . . laws.”<sup>129</sup> On the other hand, where the evidence is directly relevant, courts have found this factor to weigh in favor of disclosure.<sup>130</sup>

These concerns take on particular importance in patent and trade secret cases, which implicate the importance of the United States’ intellectual property protections, as well as its interests in civil discovery, as weighed against important foreign interests such as data privacy, the nation’s own trade secret protections, or national security.<sup>131</sup> By way of example, for both patent and trade secret cases, jurisdictional discovery may be outcome determinative of the action to the extent that the central issue in the case is not whether a particular product infringes the relevant patent, or whether some kind of unlawful misappropriation occurred, but rather *where* such activities happened. On the other hand, foreign nations whose citizens or business entities are at the heart of such questions of locale may object to being subject to any discovery directed at the underlying activity based on issues such as the sensitive relationship between the government and the parties involved. As a result, courts faced with such conflicting interests among the parties sometimes have been willing to permit the requested discovery under the Federal Rules of Civil Procedure based on the paramount interest of the United States in protecting intellectual property rights, even where the production of the information might conflict with important independent national interests of the foreign jurisdiction.<sup>132</sup> Similarly, district courts have compelled discovery in patent infringement and trade

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<sup>128</sup> *Richmark*, 959 F.2d at 1476 (citing RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW § 442 cmt. c).

<sup>129</sup> *Richmark*, 959 F.2d at 1475 (quotation marks and citation omitted); *cf.* *Synthes (U.S.A.) v. G.M. dos Reis Jr. Ind. Com. De Equip. Medico*, Civ. No. 07-CV-309-L(AJB), 2008 WL 81111, at \*5 (S.D. Cal. Jan. 8, 2008) (“[i]f the court determines it has personal jurisdiction, the case will continue, and if it determines personal jurisdiction is lacking, the case will be dismissed”); *In re Air Crash at Taipei, Taiwan* on October 31, 2000, 211 F.R.D. 374, 377–78 (C.D. Cal. 2002) (where “[m]ost of th[e] information [wa]s crucial to plaintiffs’ ability to prosecute their claims . . . this factor weigh[ed] in favor of disclosure”).

<sup>130</sup> *Richmark*, 959 F.2d at 1475; *Reinsurance Co. of Am., Inc. v. Administratia Asigurarilor de Stat (Admin. of State Ins.)*, 902 F.2d 1275, 1280 (7th Cir. 1990) (the requested materials “were not vital to the case in chief”); *In re Westinghouse Elec. Corp. Uranium Contracts Litig.*, 563 F.2d 992, 999 (10th Cir. 1977) (outcome of litigation did not “stand or fall” based on the requested discovery).

<sup>131</sup> *Cf. AstraZeneca LP v. Breath Ltd.*, No. 08-1512 (RMB/AMD), 2011 WL 1421800 (D.N.J. Mar 31, 2011) (compelling communications from Swedish inhouse counsel and employees related to prosecution of foreign patent applications because the communications did not have a sufficient connection to United States activities to be subject to attorney-client protections, and because any concerns arising from the disclosure of Swedish trade secrets could be adequately addressed via confidentiality provisions in a governing protective order).

<sup>132</sup> *See Gould, Inc. v. Pechiney Ugine Kuhlman*, 853 F.2d 445, 452 & n.6 (6th Cir. 1988), *overruled on other grounds by Republic of Argentina v. Weltover, Inc.*, 504 U.S. 607, 618 (1992) (reversing denial of motion to dismiss misappropriation of trade secrets action in which defendants raised the defense of being subject to Foreign Sovereign Immunity Act, but citing *Aerospatiale* while also noting that the district court on remand could permit jurisdictional discovery and that its “formulation of discovery procedures need not require conformity to the Hague Convention evidence procedures” despite the defendants’ argument that plaintiff was required to use the Hague Convention and that the discovery was situated in a country with a blocking statute; *Synthes (U.S.A.)*, 2008 WL 81111, at \*5 (United States interests in vindicating the rights of American plaintiffs and protecting patents issued by its Patent Office warranted allowing jurisdictional discovery despite the fact Brazil had laws limiting how discovery could be obtained, and by whom); *Minnesota Mining & Mfg. Co., Inc. v. Nippon Carbide Indus. Co., Inc.*, 171 F.R.D. 246, 249–251 (N.D. Minn. 1997) (ordering inspection of defendant Japanese company’s overseas production

secret actions despite concerns that the discovery could implicate foreign data privacy laws like GDPR,<sup>133</sup> or that the discovery would be cumulative to that which already had occurred.<sup>134</sup> Courts also have ordered cross-border discovery in trade secret actions under the Federal Rules, including in situations where the discovery arguably was located in jurisdiction subject to a foreign blocking statute, and the defendant argued the trade secrets had not been identified with sufficient particularity.<sup>135</sup> These cases reflect when evaluating whether to order cross-border discovery, the court should place particular emphasis on whether noncompliance with the request would undermine important intellectual property interests of the United States, including particularly with respect to sensitive company trade secrets or national security concerns compared to the similar interests of the foreign nation.

## B. APPLICATION OF FOREIGN BLOCKING STATUTES AND IMMUNITIES

### **Best Practice 17 – If a party resists cross-border discovery based on blocking and privacy statutes, it should present evidence of the injury it may suffer under such statutes.**

When a party resists cross-border discovery based on blocking and privacy statutes, the courts likely will inquire into whether there are serious consequences under foreign law for requiring the foreign entity to comply with U.S. discovery orders. Those consequences could be in the form of criminal prosecution, monetary sanctions, or administrative penalties.

This Best Practice recognizes that in performing the comity balancing that the Supreme Court directed in the *Aerospatiale* decision, courts supervising patent and trade secret cases require concrete evidence of the injury, hardship, or burden that may occur from the requirement that cross-border discovery be produced in potential violation of foreign blocking or privacy statutes.<sup>136</sup> The party

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facilities alleged to be producing infringing goods in violation of a settlement agreement, despite the pendency of a motion to dismiss based on *forum non conveniens* grounds); *Rich v. KIS California, Inc.*, 121 F.R.D. 254, 259 (M.D.N.C. 1998) (compelling jurisdictional discovery subject to foreign blocking statute, noting that “when plaintiff can show that discovery is necessary in order to meet defendant’s challenge to personal jurisdiction, a court should ordinarily permit discovery on that issue unless plaintiff’s claim appears to be clearly frivolous”).

<sup>133</sup> *Finjan, Inc. v. Zscaler, Inc.*, Case No. 17-cv-06946-JST (KAW), 2019 WL 618554 at \*3 (N.D. Cal. Feb. 14, 2019) (“considering the significant American interest in protecting its patents and the reduced U.K. interest in protecting the privacy of its citizens,” application of *Aerospatiale* factors favored production of emails alleged to be subject to GDPR, especially since privacy interests could be address by a protective order); *Knight Capital Partners Corp. v. Henkel Ag & Co. KGaA*, 290 F. Supp. 3d 681, 686–91 (E.D. Mich. 2017) (compelling production of discovery under the Federal Rules of Civil Procedure in action raising breach of confidentiality and tortious interference with a business expectancy, despite objections of defendant that its compliance with discovery would conflict with Germany’s data privacy laws).

<sup>134</sup> *Dyson, Inc. v. SharkNinja Operating LLC*, No. 1:14-cv-779, 2016 WL 5720702, at \*3 (N.D. Ill. Sept. 30, 2016) (“non-compliance with the discovery request would undermine the United States’ interests in ensuring that patent suits are fully and fairly litigated”).

<sup>135</sup> *Proofpoint, Inc. v. Vade Secure, Inc.*, No. 19-cv-04238-MMC (RMI), 2020 WL 1911195, at \*4–6 (N.D. Cal. Apr. 20, 2020).

<sup>136</sup> Such evidence can include sources permitted under Federal Rules of Civil Procedure 44.1 and 53, and Federal Rule of Evidence 706, such as testimony from foreign attorneys and experts to substantiate the potential harms associated with compliance with U.S. discovery requests. *See, e.g.*, *Animal Science Prods., Inc. v. Hebei Welcome Pharm. Co., Ltd.*, 138 S. Ct. 1865, 1869–1870, 1873 (2018) (“In determining foreign law, the court may consider any relevant

resisting the cross-border discovery should raise the issue with opposing counsel and notify the court as soon as reasonably possible about the perceived problems with compliance, so that the court may consider whether relief is warranted.

A survey of decisions considering the comity and hardship factors of the *Aerospatiale* test demonstrates that the courts at times are not presented with concrete evidence of enforcement and penalties under foreign statutes associated with compliance with U.S. discovery orders. For example, in a trade secret case where a German party objected to the production of documents in the U.S. proceeding as a violation of Germany's Federal Data Protection Law, which arguably subjected the European party to civil or criminal sanctions, the court held the resisting party had not met its burden of showing the foreign law prohibited disclosure.<sup>137</sup> The court rejected the argument that there was undue hardship in the case, concluding that because the party deleted U.S. records that might otherwise be discoverable in the United States, any hardship was of its own making.<sup>138</sup> Similarly, in an antitrust action, *In re Grand Jury Investigation of Possible Violations of 18 U.S.C. § 1956 and 50 U.S.C. § 1705*, the court rejected speculative arguments that certain banks might face administrative fines under Chinese bank secrecy laws if they complied with U.S. subpoenas.<sup>139</sup> As the court explained:

[W]hile the banks list laws authorizing severe administrative penalties and insist their ties to the government are not immunizing, none points to any example in which a state-owned Chinese enterprise has faced severe repercussions for responding to the order of a foreign court.<sup>140</sup>

In performing the balancing test under *Aerospatiale* and weighing the comity and hardship factors (i.e., factors 5 and 6), courts will also often look to whether there is a history of actual enforcement and penalties under the foreign blocking or privacy law. In one trade secret case, the court overruled an objection to production of documents alleged to be in violation of the French blocking statute.<sup>141</sup> The court relied on a series of decisions by federal courts noting lack of enforcement of the French blocking statute against French companies and explained “there is no evidence that France’s interest

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material or source; [including testimony], whether or not submitted by a party” or “admissible under the Federal Rules of Evidence”); *Reinsurance Co. of Am., Inc.*, 902 F.2d at 1281 (holding that Restatement comity factors weighed in favor of denying cross-border discovery, citing in support of that conclusion testimony from a Romanian attorney reflecting that government officers would face criminal sanctions for revealing “service” secrets as classified by the Romanian government and also stating that the law protecting state and “service” secrets is vigorously enforced); *Behrens v. Arconic, Inc.*, No. 19-2664, 2019 WL 7049946, at \*5–6 (E.D. Pa. Dec. 20, 2019) (appointing an expert on French law as a special master to evaluate to what extent a French blocking statute applies to a cross-border discovery dispute).

<sup>137</sup> *St. Jude Medical SC v. Janssen-Cournotte*, 104 F. Supp. 3d 1150, 1167 (D. Or. 2015).

<sup>138</sup> *Id.*

<sup>139</sup> *In re Grand Jury Investigation of Possible Violations of 18 U.S.C. § 1956 and 50 U.S.C. § 1705*, 381 F. Supp. 3d 37, 74 (D.D.C. 2019).

<sup>140</sup> *Id.*

<sup>141</sup> *Proofpoint v. Vade Secure Inc.*, No. 19-cv-04238, 2020 WL 1911195, at \*6 (N.D. Cal., April 20, 2020).

in its blocking statute has changed or that France has become more vigorous in enforcing its blocking statute in recent years.”<sup>142</sup>

Similarly, another court rejected a request that a plaintiff be required to use the Hague Convention rather than the Federal Rules of Civil Procedure to seek document production from foreign banks that allegedly might violate the United Kingdom’s (UK) data protection law.<sup>143</sup> In assessing the hardship of complying with the U.S. discovery, the court rejected the resisting party’s objection based on potential exposure to “fines, enforcement action, and potential prosecution . . .”, explaining:

Notably, however, the Moving Defendants are unable to cite a single instance in which a UK enforcement action was taken against an entity for violating DPA by complying with discovery demands in the United States; nor have they provided an instance where a UK financial institution was found liable for damages for producing otherwise confidential customer information pursuant to an order by a United States court.”<sup>144</sup>

Further, in one of the few reported decisions thus far to address objections to U.S. discovery based on the EU’s General Data Protection Regulation, the court rejected the objection.<sup>145</sup> In considering the hardship factor, the court noted:

Other courts have found that the burden of showing that the law bans production is not satisfied where there is no evidence of the extent to which the government enforces its laws.<sup>146</sup>

Consistent with Best Practices 15 and 16, the party resisting discovery also should be prepared to address the balancing factors set forth in *Aerospatiale*,<sup>147</sup> including particularly the fifth factor:

[T]he extent to which noncompliance with the request would undermine important interests of the United States, or compliance with the request would undermine important interests of the state where information is located.<sup>148</sup>

<sup>142</sup> *Id. But see In re Advocat Christopher X*, Cour de Cassation, Chambre Criminelle, Paris, Dec. 12, 2007, No. 07-83228, for which a Matter of Christopher X (Bull. Crim. 2007, no. 309, French Supreme Court, Criminal Section, No. 07-83228, December 12, 2007) French language text <https://www.legifrance.gouv.fr/affichJuriJudi.do?idTexte=JURITEXT000017837490> (last visited May 16, 2021) (the French Supreme Court upholding the conviction of and imposed a €10,000 fine against a French lawyer for violating the French blocking statute after the French lawyer contacted in France, and outside of Hague Convention procedures, a former director of a company being investigated by California insurance regulators. *See* FBI Press Release, Credit Lyonnais and Others to Plead Guilty and Pay \$771 Million in Executive Life Affair, Dec. 18, 2003, <https://archives.fbi.gov/archives/news/pressrel/press-releases/credit-lyonnais-and-others-to-plead-guilty> (last visited May 16, 2021).

<sup>143</sup> *Laydon v. Mizuhuo Rack*, 183 F. Supp. 3d 409, 427 (S.D.N.Y. 2016).

<sup>144</sup> *Id.* at 425.

<sup>145</sup> *Finjan v. Zscaler*, No. 17-cv-06946, 2019 WL 618554 at \*3 (N.D. Cal., Feb. 14, 2019).

<sup>146</sup> *Id.* (citations omitted).

<sup>147</sup> *Richmark Corp. v. Timber Falling Consultants*, 959 F.2d 1468, 1474–75 (9th Cir. 1992).

<sup>148</sup> *Id.* at 1475.

Because this comity factor has been referred to as “the most important factor,”<sup>149</sup> consistent with Best Practice 16, it will be necessary to address to what extent the intellectual property laws of the United States giving rise to the underlying patent or trade secret suit also should be deemed impaired by noncompliance with the request. Likewise, the party resisting discovery should be prepared to address the additional comity factor discussed in Best Practice 15 that requires evaluation of “the extent and nature of the hardship that inconsistent enforcement would impose on the person . . . .”<sup>150</sup>

To the extent that U.S. courts have not always afforded a great deal of deference to European blocking statutes and bank secrecy laws, this appears to be based in large part on a view that such statutes were enacted primarily to provide European entities with an excuse to avoid production in U.S. courts.<sup>151</sup> For example, some U.S. courts’ “experience with the French Blocking statute [taught] that there is little likelihood these threats [of prosecution] will ever be carried out,” and concluded that a “speculative possibility of prosecution is insufficient to displace the Federal Rules . . . .”<sup>152</sup> Accordingly, in some cases U.S. courts had shown a tendency to order parties to U.S. litigation to produce materials located outside of the United States directly, without any requirement that the discovering party comply with Hague Convention procedures.

To a far greater extent than any blocking statute, the sanctions under the GDPR are sufficiently concrete to warrant consideration by courts in evaluating whether to compel discovery under the Federal Rules of Civil Procedure. A party objecting to production of discovery that may be subject to GDPR (or similar privacy statutes) should present evidence of such sanctions as part of a motion for a protective order. Since the GDPR took effect in 2018, fines in the tens of millions of Euros have been relatively common. The penalty for violation of rules prohibiting transfers of personal data to a recipient in a third country—the types of violations that would arise in the U.S. discovery context—are subject to fines of up to €20 million or 4 percent of total worldwide annual turnover, whichever is *higher*.<sup>153</sup> In January 2019, Google LLC was fined €50 million for GDPR violations connected to insufficient disclosure leading to invalid consents with respect to its “Ads Personalization” section.<sup>154</sup> By March 2020, the aggregate total for final fines publicly imposed under the GDPR approached €153 million (\$170 million).<sup>155</sup> In addition, fines of £99 million and €183

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<sup>149</sup> *Id.* at 1476.

<sup>150</sup> *Id.* at 1475.

<sup>151</sup> *See, e.g.,* *Minpeco, S.A. v. Conticommodity Servs., Inc.*, 116 F.R.D. 517, 524 (S.D.N.Y. 1987); *Adidas Ltd. v. S.S. Seatrain Bennington*, Nos. 80 Civ. 1911 (PNL), 82 Civ. 0375 (PNL), 1984 WL 423, at \*3 (S.D.N.Y., May 30, 1984), *cited in* *Compagnie Francaise d’Assurance Pour le Commerce Exterieur v. Phillips Petroleum Co.* 105 F.R.D. 16 (S.D.N.Y. 1984).

<sup>152</sup> *In re Vivendi Universal, S.A. Securities Litigation*, No. 02 Cv. 5571, 2006 WL 3378115, at \*4 (S.D.N.Y., Nov. 16, 2006).

<sup>153</sup> GDPR, *supra* note 9, Art. 83(5).

<sup>154</sup> *See* Commission Nationale de l’Informatique et des Libertés, *The CNIL’s restricted committee imposes a financial penalty of 50 Million euros against GOOGLE LLC*, <https://www.cnil.fr/en/cnils-restricted-committee-imposes-financial-penalty-50-million-euros-against-google-llc> (last visited May 16, 2021).

<sup>155</sup> Fines against individual companies ranged from as little as €28, to as much as €50 Million. *See* <https://www.privacyaffairs.com/gdpr-fines/> (last visited May 16, 2021).

million have been assessed by the UK data regulator against Marriott<sup>156</sup> and British Airways,<sup>157</sup> respectively, although these fines are not yet final. A party in a patent or trade secret case should be prepared to present this type of tangible evidence to a court whenever a question arises as to if it is appropriate to compel discovery via the Federal Rules of Civil Procedure, as opposed to alternative mechanisms like the Hague Convention.

Reinforcing the point that the GDPR was neither enacted nor enforced in order to shield European entities from U.S. discovery, it may be noted that the GDPR fines generally relate to insufficient security or inadequate management of data breaches, or misuse of personal data (including disclosure without sufficient authentication, or sale of that data to a third party), as opposed to having anything to do with litigation production.<sup>158</sup>

As all these examples reflect, it ordinarily will be prudent for the party resisting cross-border discovery to retain both local foreign counsel and expert witnesses on foreign law to substantiate its claims of hardship or risk of criminal prosecution. The engagement of local foreign counsel also may be invaluable in protecting the party, if it ultimately is compelled by the court to produce the cross-border discovery, from the imposition of any potential sanctions that might result from its compliance with the U.S. court order.

**Best Practice 18 – If the party opposing discovery contends it will be subject to civil or criminal penalties in the foreign jurisdiction, that party should bear the burden of establishing this contention.**

Following the practice of a number of courts in applying the comity test under *Société Internationale Pour Participations Industrielles et Commerciales v. Rogers*, the burden of showing that civil or criminal penalties may result from compliance with U.S. discovery orders should fall on the party resisting discovery.<sup>159</sup> Since the Supreme Court endorsed the comity or balancing test based on the Restatement (Third) of Foreign Relations Law §§442(1)(c), a number of courts have chosen to place the burden of demonstrating the likelihood of civil or criminal penalties on the party resisting discovery.

For example, in *Richmark Corp. v. Timber Falling Consultants*, the Ninth Circuit affirmed sanctions and contempt against a Chinese company that failed to cooperate in cross-border discovery.<sup>160</sup> The

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<sup>156</sup> Information Commissioner's Office, *Intention to fine Marriott International, Inc more than £99 million under GDPR for data breach* (July 9, 2019), <https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2019/07/statement-intention-to-fine-marriott-international-inc-more-than-99-million-under-gdpr-for-data-breach/>.

<sup>157</sup> Information Commissioner's Office, *Intention to fine British Airways £183.39 Million under GDPR for data breach* (July 8, 2019), <https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2019/07/ico-announces-intention-to-fine-british-airways/>.

<sup>158</sup> See *Finjan v. Zscaler*, No. 7-cv-06946, 2019 WL 618554 (N.D. Cal., Feb. 14, 2019) (compelling the disclosure of emails stating that the defendant had failed to produce evidence that disclosure of those emails would lead to hardship or an enforcement action from an EU data protection supervisory authority for breach of the GDPR (it has to be kept in consideration, anyway, that in this case, the U.S. Court entered also a protective order preventing disclosure of the secret information included in the emails).

<sup>159</sup> *Société Internationale Pour Participations Industrielles et Commerciales v. Rogers*, 357 U.S. 197 (1958).

<sup>160</sup> *Richmark Corp. v. Timber Falling Consultants*, 959 F.2d 1468 (9th Cir. 1992).

Chinese company contended that People's Republic of China state secrecy laws prohibited it from complying with district court discovery orders and that, if it complied, it would be subject to criminal prosecution.<sup>161</sup> Although the Ninth Circuit acknowledged that the Chinese government threatened criminal prosecution for compliance, the court concluded that the hardship was self-imposed or avoidable.<sup>162</sup> The court thus imposed the burden on the party resisting discovery to demonstrate that the risk of criminal or civil penalties could not be avoided.

Another more recent decision, *In re Xarelto (Rivaroxaban) Products Liability Litigation*,<sup>163</sup> illustrates imposing the burden on the party resisting cross-border discovery. In this products liability case arising from the manufacture and sale by Bayer of an anticoagulant medication, the court was presented with objections to discovery based on the German Data Protection Act.<sup>164</sup> Bayer argued that it risked criminal and civil penalties if it produced limited personnel files relating to, among other things, performance and compensation of personnel who may have rushed the drug to market.<sup>165</sup> The district court concluded:

Defendants carry the burden of providing evidence that Germany has enforced the German Data Protection Act when German personal data has been produced pursuant to a United States court order . . . . Bayer failed to meet this burden. When questioned at oral argument, counsel for Bayer failed to cite any examples of a German entity being civilly or criminally prosecuted for production of personal data pursuant to a United States discovery order.<sup>166</sup>

Although the district court acknowledged that interests of Germany were strong, it found the party resisting cross-border discovery failed to carry its burden with respect to showing likelihood of criminal or civil penalties.

Another recent decision also illustrates that the burden of showing potential civil or criminal penalties should fall on the party resisting legitimate cross-border discovery. In *Phoenix Process Equipment Co. v. Capital Equipment Trading Corp.*, a defendant objected to discovery on the grounds it would expose it to civil and criminal liability under Russian law.<sup>167</sup> The defendant submitted a 21-page declaration from a Russian attorney describing Russian civil and criminal law relating to commercial secrecy. The district court noted that the party claiming “shelter of foreign law” bears the burden of showing that foreign law in fact bars production.<sup>168</sup> The court found that the

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<sup>161</sup> *Id.* at 1474.

<sup>162</sup> *Id.* at 1477.

<sup>163</sup> MDL No. 2592, 2016 WL 3923873 (E.D. La. July 21, 2016).

<sup>164</sup> *Id.* at \*5.

<sup>165</sup> *Id.* at \*4.

<sup>166</sup> *Id.* at \*18 (citation omitted).

<sup>167</sup> No. 3:16CV-00024-RGJ-RSE, 2019 WL 1261352, at \*9 (W.D. Ky. Mar. 19, 2019).

<sup>168</sup> *Id.* at \*11.



declaration was insufficient in discharging the defendants' burden because it merely alleged compliance "may" cause defendants to face criminal or civil penalties.<sup>169</sup>

On the other hand, in contrast to cases where the burden was not met, in *In re Payment Card Interchange Fee and Merch. Disc. Antitrust Litigation*,<sup>170</sup> plaintiffs sought information from an investigation conducted by the EU Commission. The court in evaluating the *Aerospatiale* factors indicated that the EU Commission has "strong and legitimate reasons to protect the confidentiality" of the investigation which it considered to outweigh the "plaintiffs' interest in discovery of the European litigation documents."<sup>171</sup> The confidentiality of the EU Commission "importantly" encouraged "third parties to cooperate with the Commission's investigations."<sup>172</sup> The court believed that the EU Commission's interests thus would be significantly undermined if its confidentiality rules were disregarded, particularly since the plaintiffs had other avenues for obtaining the information, including access to another credit card entity's submissions to the Commission, and an unredacted copy of an extensive opinion published by the Commission.<sup>173</sup>

The consensus of WG10 and WG12 is that those decisions properly impose the burden of showing concrete evidence of civil or criminal penalties from compliance with U.S. discovery orders on the party resisting discovery. Accordingly, we recommend that other courts applying the comity test pursuant to *Aerospatiale* follow the same approach and impose the burden on the party resisting discovery.

**Best Practice 19 – If a foreign individual or entity refuses or threatens to refuse to comply with a discovery order, the parties should be prepared to address whether any limiting or immunity statutes may be relevant.**

Despite the comity analysis that presumptively will occur in conjunction with Best Practices 15-18, cross-border discovery nonetheless may present scenarios where a party defies a U.S. court's order in a patent or trade secret case due to claimed immunities or the need to comply with foreign rules. For example, because the Supreme Court has acknowledged that foreign laws precluding the disclosure of evidence "do not deprive an American court of the power to order a party subject to its jurisdiction to produce evidence even though the act of production may violate that [foreign] statute,"<sup>174</sup> it is conceivable that a court may order discovery from a party that has claimed doing so will violate foreign law. In such situations, a party may request sanctions, which likely will necessitate analysis of whether any limiting or immunity statutes preclude the relief. Similarly, in some circumstances the Foreign Sovereign Immunities Act may also be raised by parties that assert status

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<sup>169</sup> *Id.* at \*13.

<sup>170</sup> No. 05-MD-1720 (JG) (JO), 2010 WL 3420517 (E.D.N.Y. Aug. 27, 2010).

<sup>171</sup> *Id.* at \*9.

<sup>172</sup> *Id.*

<sup>173</sup> *Id.* at \*10. Other cases likewise have reached similar holdings. *See, e.g., In re Rubber Chems. Antitrust Litig.*, 486 F. Supp. 2d 1078, 1084 (N.D. Cal. 2007) (declining to compel the production of EU Commission (EC) investigative documents because "[a]lthough [the] investigation is completed, the Commission argues that production of the EC documents would undermine its ability to initiate and prosecute future investigations").

<sup>174</sup> *Aerospatiale*, 482 U.S. at 539–40 & 544 n.29.



as a foreign state, a political subdivision of a foreign state, or an agency or instrumentality of a foreign state.<sup>175</sup> The manner in which any immunity defense will be raised may vary. In some instances this inquiry will result as part of the comity analysis prior to any discovery being ordered (in which case it should be considered a special case for the application of Best Practice 15), whereas in others it may be raised in a sanctions request after a court ordered production of discovery has been defied.

This Best Practice encourages the court and parties to address these issues when considering the appropriateness of sanctions in any situation where a party refuses (or threatens to refuse) to cooperate in producing the relevant evidence. The Best Practice also recognizes the issue of sanctions may raise complex and fact-specific factors in the context of international comity, which are not readily addressed in full in this *Commentary*. For an example of the wide range of considerations that may apply when a foreign country's own statements regarding its law are raised as evidence, the court and parties may find helpful considerations explained in *Animal Science Products, Inc., v. Hebei Welcome Pharmaceutical Co.*:

Given the world's many and diverse legal systems, and the range of circumstances in which a foreign government's views may be presented, no single formula or rule will fit all cases in which a foreign government describes its own law. Relevant considerations include the statement's clarity, thoroughness, and support; its context and purpose; the transparency of the foreign legal system; the role and authority of the entity or official offering the statement; and the statement's consistency with the foreign government's past positions.<sup>176</sup>

**Best Practice 20 – Parties faced with objections to cross-border discovery of important evidence in patent and trade secrets litigation that are based on foreign blocking or privacy statutes should timely move to compel such discovery and demonstrate satisfaction of the *Aerospatiale* factors.**

As noted above, the framework for whether cross-border discovery is warranted was formulated by the Supreme Court in *Aerospatiale* and adopted by the Restatement (Third) of Foreign Relations Law of the United States.

In deciding whether to issue an order directing production of information located abroad, and in framing such an order, a court or agency in the United States should take into account the importance to the investigation or litigation of the documents or other information requested; the degree of specificity of the request; whether the information originated in the United States; the availability of alternative means of securing the information; and the extent to which noncompliance with the request would undermine **important interests of the United States, or compliance with**

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<sup>175</sup> See 28 U.S.C 1603.

<sup>176</sup> *Animal Science Prods.*, 138 S. Ct. at 1873–74; see also *Funk v. Belneftekhim*, 861 F.3d 354 (2d Cir. 2017) (sustaining discovery sanctions in spite of a foreign sovereign immunity claim).

**the requests would undermine important interests of the state where the information is located.**<sup>177</sup>

This last factor is based on the principle of comity and boils down to a balancing of the interests of the United States and the interests of the foreign jurisdiction. In most cases, U.S. courts find in favor of the interests of the United States.<sup>178</sup> One notable exception to this trend concerns so-called foreign blocking and privacy statutes. Broadly speaking, these are foreign laws that (a) make it a crime to collect evidence from that foreign jurisdiction for use outside that jurisdiction<sup>179</sup> or (b) prohibit disclosure of confidential information in violation of foreign privacy laws. Blocking and privacy statutes represent the primary means by which parties resist discovery under the Hague Evidence Convention.

Simply invoking a blocking or privacy statute, however, by no means guarantees that a U.S. court will find against discovery. Indeed, a recent study of 56 cases analyzing the *Aerospatiale* factors concluded that “(1) courts display a pro-forum bias; (2) there has been an exponential increase in litigants seeking court-ordered violations of foreign law; and (3) courts might have an additional bias against non-Western nations.”<sup>180</sup> Nevertheless, according to the study, blocking statutes have prevented cross-border discovery in at least five cases.<sup>181</sup> Accordingly, the party seeking discovery should promptly counter a blocking or privacy statute objection through a motion to compel or similar mechanism.

While parties seeking cross-border discovery should attempt to satisfy all five *Aerospatiale* factors, in the face of a blocking statute, a party should focus specifically on two. First, the party seeking discovery should establish that there is no “availability of alternative means of securing the information.” This is not a high bar. While a mere showing that cross-border discovery would yield different—not superior—information compared to domestic discovery is insufficient,<sup>182</sup> a requesting party generally need only demonstrate that there is no means similar in speed, cost, and effectiveness to a U.S. court ordering the production of documents or taking of a deposition.<sup>183</sup>

<sup>177</sup> RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES § 442(1)(c) (emphasis added).

<sup>178</sup> See, e.g., Steven R. Swanson, *Comity, International Dispute Resolution Agreements, and the Supreme Court*, 21 L. & POL’Y INT’L BUS. 333, 362 (1990) (“balancing approaches almost always have an inherent bias favoring the forum state’s laws.”); Geoffrey Sant, “*Aerospatiale*” Factors on Discovery in Violation of Foreign Laws, N.Y. L.J., Dec. 8, 2014, at 2 (“[i]t is no surprise that U.S. courts usually find that U.S. discovery wins in this comparison.”).

<sup>179</sup> Mark A. Cotter, *The Hague Evidence Convention: Selfish U.S. Interpretation Aggravates Foreign Signatories and Mandates Changes to Federal Discovery Rules*, 6 FLA. J. INT’L L. 233, 243 (1991).

<sup>180</sup> Geoffrey Sant, *Court-Ordered Law Breaking: U.S. Courts Increasingly Order the Violation of Foreign Law*, 81 BROOK. L. REV. 181, 197 (2015).

<sup>181</sup> See *Tiffany (NJ) LLC v. Andrew*, 276 F.R.D. 143, *aff’d*, No. 10 Civ. 9471(WHP), 2011 WL 11562419 (S.D.N.Y. Nov. 4, 2011); *Tiffany (NJ) LLC v. Forbse*, No. 11 Civ. 4976(NRB), 2012 WL 1918866 (S.D.N.Y. May 23, 2012); *S.E.C. v. Stanford Int’l Bank, Ltd.*, 776 F. Supp. 2d 323 (N.D. Tex. 2011); *In re Baycol Prods. Litig.*, MDL No. 1431 (MJD/JGL), 2003 WL 22023449 (D. Minn. Mar. 21, 2003); *Motorola Credit Corp. v. Uzan*, 73 F. Supp. 3d 397 (S.D.N.Y. 2014).

<sup>182</sup> *Weidenhamer v. Expedia, Inc.*, No. C14-1239RAJ, 2015 WL 7158212, at \*3 (W.D. Wash. Nov. 13, 2015).

<sup>183</sup> *Cf. Estate of Vaughn v. Kia Motors Am., Inc.*, No. 3:05-cv-0038-WHB-JCS, 2006 WL 8454647 (S.D. Miss. May 19, 2006) (ordering deposition of foreign officers to be taken in the United States, noting that the factors that the plaintiff had raised and which it agreed with included the “cost and expense to the parties, openness of discovery in

Second, and more importantly, the party seeking discovery must demonstrate that comity weighs in favor of permitting discovery. A recent study found that the most important evidence relating to comity is whether the foreign jurisdiction enforces its blocking and privacy statutes.<sup>184</sup> Even though the burden rests with the party resisting discovery to demonstrate that the blocking statute or privacy statute actually is a barrier to discovery and will subject it to civil or criminal liability,<sup>185</sup> the opposing party that is seeking such discovery should still attempt to demonstrate that the invoked blocking statute is minimally—or, ideally, has never been—enforced. As discussed in Section II.2 above, WG10 and WG12 recommend that parties arguing for and against the comity and hardship factors present courts with concrete documentary evidence of proof of consistent enforcement of such statutes. To the extent that the resisting party provides concrete evidence of enforcement, the party seeking discovery should rebut such evidence by demonstrating through concrete, documented evidence that such enforcement is out of date or not seriously pursued.

*Motorola Credit Corp. v. Uzan* is illustrative. In that case, the defendant attempted to resist cross-border discovery in four jurisdictions by invoking each of those jurisdictions' blocking statutes.<sup>186</sup> The court, noting that “the extent to which the relevant country has actually enforced the prohibition is a strong indicator of the strength of the state interest,” permitted discovery notwithstanding blocking statutes in the United Arab Emirates, Jordan, and France.<sup>187</sup> Critically, however, the court denied discovery in the face of Switzerland's blocking statute because of “28 prosecutions” between 1987 and 1996 and “anecdotal evidence presented to the Court indicat[ing] ongoing, vigorous, and serious enforcement.”<sup>188</sup>

WG10 and WG12 recommend that parties faced with objections to cross-border discovery based on foreign blocking or privacy law should timely move to compel such discovery following necessary meet-and-confer requirements. Subject to local rules and practices, it is important that issues relating to cross-border discovery be brought to the court's attention promptly, because such issues often involve the need for foreign law expertise and evidence and thus can be time-consuming to obtain and consider. As noted in the previous Best Practice discussion, WG10 and WG12 recommend that the court be furnished with concrete, documentary evidence of information such as the how often criminal prosecutions and civil penalties are imposed for complying with U.S. discovery orders. It will likely take extensive time and effort to obtain such evidence in many cases, and thus it is

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the foreign nation, issues of comity and foreign judicial sovereignty, and the ability of the forum court to resolve disputes arising during the deposition”; collecting cases that had ruled similarly); *Murphy v. Reifenhauer KG Maschinenfabrik*, 101 F.R.D. 360, 363 (D. Vt. 1984) (declining to require use of Hague Convention and ordering production of discovery from German source, noting that among other issues affecting the comity analysis, “we should not tolerate further unnecessary delay in discovery in this case”). Going as far to show that the parties attempted to seek discovery through alternate means also is not required. *In re Air Crash at Taipei, Taiwan* on Oct. 31, 2000, 211 F.R.D. 374, 378 (C.D. Cal. 2000). *But see* M.J. Hoda, *The Aerospatiale Dilemma: Why U.S. Courts Ignore Blocking Statutes and What Foreign States Can Do About It*, 106 CAL. L. R. 231, 207–10 (2018) (criticizing courts for not being more sensitive to the foreign nation's own comity interests, and collecting cases) [hereinafter *The Aerospatiale Dilemma*].

<sup>184</sup> *The Aerospatiale Dilemma*: *supra* note 183, at 245–46.

<sup>185</sup> *See* Best Practice 18 and associated commentary.

<sup>186</sup> *Motorola Credit Corp. v. Uzan*, 73 F. Supp. 3d 397 (2014).

<sup>187</sup> *Id.* at 402.

<sup>188</sup> *Id.* at 404.

recommended that such evidence be presented in a timely manner through a motion to compel, properly supported.

**Best Practice 21 – If a party moves to compel cross-border discovery over the other party’s foreign blocking or privacy statutes objections, it should demonstrate that there are no viable alternatives to U.S. court-ordered production to obtain such information.**

In instructing lower courts how to conduct a comity analysis directed to whether to compel cross-border discovery utilizing United States Federal Rules of Civil Procedure as opposed to the Hague Convention, the Supreme Court in *Aerospatiale* suggested that the lower courts consider the availability of alternative means of securing the information.<sup>189</sup> This determination is heavily fact dependent, and is a particularly sensitive issue in patent and trade secrets cases, when a foreign blocking or privacy statute is at issue. Such information may even implicate the national defense interests of a foreign jurisdiction, such as where a trade secret relates to security protection mechanisms. Therefore, an important consideration for courts and parties is whether there exist alternative means exist to produce the discovery without impairing such important foreign interests.

Some courts assess whether there are any feasible “alternative means” available in the first place.<sup>190</sup> This factor may largely collapse into an analysis of whether the foreign nation is a signatory of the Hague Convention, and whether that mechanism itself will produce the requested relief despite the existence of the privacy or blocking statute. That being said, the *Aerospatiale* case itself recognized that the availability of seeking discovery via the Hague Convention might not be a sufficient “alternative means” where it appears that it would be futile given the known impact of the relevant foreign statute.

Therefore, another consideration is whether the alternative form of obtaining discovery achieves the same cost, speed, and effectiveness as U.S. procedures. This assessment may be particularly relevant in patent or trade secret litigation, given the existence of time-sensitive deadlines such as those imposed by patent local rules and case management concerns related to resolving injunctions and other interim relief.<sup>191</sup> For instance, potential irreparable injury to a plaintiff from misappropriation of a trade secret should be ordinarily considered as part of the evaluation of whether there are viable alternatives to the U.S. Federal Rules of Civil Procedure. Likewise, the value of the foreign discovery in determining the likelihood of infringement, validity, and enforceability of a patent also should be considered as part of the evaluation of alternative discovery mechanisms. Essentially, if the discovery clearly is important to the outcome of a particular patent or trade secret case, there may be a heightened probability that there are no viable alternatives outside the Federal Rules of Civil Procedure for obtaining the discovery.

Nonetheless, in order to ensure that a foreign jurisdiction’s privacy, intellectual property protection, and confidentiality interests are adequately balanced against a U.S. patent and trade secret owner’s

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<sup>189</sup> *Id. Aerospatiale*, 482 U.S. at 544 n.28. *See also* RESTATEMENT OF FOREIGN RELATIONS LAW OF THE UNITED STATES (Revised) § 437(1)(c).

<sup>190</sup> *See, e.g., In re Air Crash at Taipei*, 211 F.R.D. at 374–78; *In re Global Power Equip. Grp. Inc.*, 418 B.R. 833, 848 (D. Del. 2009).

<sup>191</sup> *See* Best Practices 4 & 5, and associated commentary.

own significant interests, a party that seeks to compel cross-border discovery should always be prepared to demonstrate (1) why there are no viable alternatives to U.S. court-ordered production of such information; and (2) why such information is important to the case. This evaluation considers not only whether there are potential alternatives to the Federal Rules of Civil Procedure for obtaining cross-border discovery, but also whether the requested discovery is likely to produce important information regardless of whatever discovery mechanism is employed. A foreign privacy or blocking statute should not be ignored or circumvented via the Federal Rules of Civil Procedure merely because it is inconvenient to the discovery process.

In cases where it is not clear that the cross-border discovery will be important to the merits of a case, comity might suggest that the foreign nation's interest in its own sovereign laws should prevail. The existence of mechanisms like those offered by the Hague Convention thus should be employed. On the other hand, such mechanisms still may not be a viable alternative if they negatively impact the cost or speed of production, so as to effectively prevent the court from weighing the underlying importance of the discovery to the merits of the case. As noted, every case is likely to be different, and dependent upon the facts.

**Best Practice 22 – In patent and trade secret cases where a party is found to have resisted or only selectively produced core discovery in bad faith based on foreign blocking or privacy statutes, it may be appropriate for a court to consider shifting the burden of persuasion to the resisting party, when consistent with applicable authority.**

In many trade secret cases, evidence of misappropriation may exist solely or primarily outside the United States, and therefore cross-border discovery may be essential. However, as discussed previously in this *Commentary*, the laws of other nations may restrict or prevent such discovery, putting responding parties in the awkward position of choosing whether to abide by discovery obligations in the United States or abide by the laws of their native country, with potential penalties either way. Cross-border discovery raises significant legal and logistical issues, and responding parties may appropriately resist such proposed discovery if it presents genuine conflicts with foreign blocking statutes, bank secrecy laws, privileges, or data privacy regulations.<sup>192</sup>

Parties resisting cross-border discovery are required under Rule 34(b)(2)(B) to state “with specificity” their grounds for objecting; to respond to the extent the request is not objectionable; and to state clearly whether they are withholding any documents on the basis of such objections. Furthermore, if that party moves for a protective order under Rule 26(c) to limit or prohibit such discovery, or opposes a motion to compel brought under Rule 37(a), that party bears the burden of persuasion that “good cause” exists to overcome the presumption that otherwise relevant,

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<sup>192</sup> This dilemma is discussed at length in the flagship publication of Sedona Conference Working Group 6, *International Principles on Discovery, Disclosure & Data Protection in Civil Litigation (Transitional Edition)*, available at [https://thesedonaconference.org/publication/International\\_Litigation\\_Principles](https://thesedonaconference.org/publication/International_Litigation_Principles), which provides practical guidance for litigants and courts seeking to balance these conflicting duties and obligations.

nonprivileged, and proportional discovery proceed. The court will then consider the request and objections, applying the factors enunciated by the Supreme Court in *Aerospatiale*.<sup>193</sup>

But the *Aerospatiale* factors may prove inadequate when parties raise objections to cross-border discovery in bad faith and seek to limit or prevent production of otherwise discoverable important evidence, and, in egregious cases, destroy evidence under color of foreign law. In those exceptional cases of bad-faith resistance, this Best Practice recommends that courts consider whether sanctions, such as the imposition of adverse inferences, are appropriate under the Federal Rules of Civil Procedure.

The first problem is defining “bad faith,” which seldom comes with a clear label, requiring the assessment of circumstantial evidence. On one end of the spectrum, there may be evidence that a party, anticipating litigation, intentionally placed the discoverable material in a jurisdiction from which discovery would be difficult or impossible.<sup>194</sup> Or, a party may produce evidence favorable to its position but selectively withhold unfavorable evidence on the grounds that it is blocked by foreign law, without being able to articulate a legitimate basis for making that distinction. More commonly, a party simply asserts that the proposed discovery is prohibited by foreign law, without providing any support for its objection, let alone any facts to assist the court in its *Aerospatiale* analysis. The resisting party may refuse to negotiate a solution or may raise its objection too late in the pretrial process for a solution to be implemented. Whether such actions are evidence of bad faith or bad lawyering depends on the circumstances of each case.<sup>195</sup>

Courts have several sources of authority to address discovery misconduct. Rule 37 and its subdivisions are the most comprehensive, but Rule 16(f) authorizes sanctions for a party failing to participate in good faith in pretrial planning, Rule 26(g)(3) requires the court to sanction a party for an improper discovery certification, and inherent authority is available to sanction discovery misconduct not contemplated in the rules.<sup>196</sup>

Courts have broad discretion to fashion sanctions appropriate to the misconduct, taking into consideration both the degree of culpability and the prejudice to the opposing party.<sup>197</sup> Rule 37(b)(2)(A) provides a range of potential sanctions:

If a party or a party’s officer, director, or managing agent—or a witness designated under Rule 30(b)(6) or 31(a)(4)—fails to obey an order to provide or permit discovery, including an

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<sup>193</sup> *Aerospatiale*, 482 U.S. at 544 n.28 (approving factors identified in RESTATEMENT OF FOREIGN RELATIONS LAW OF THE UNITED STATES (Revised) § 437(1)(c)).

<sup>194</sup> See, e.g., *WeRide Corp. v. Kun Huang*, No. 5:18-cv-07233-EJD, 2020 WL 1967209 at \*8 (N.D. Cal. Apr. 24, 2020) (defendant instructed employees to use a Chinese-based text messaging app because it would be “more secure”).

<sup>195</sup> In one narrow situation—the spoliation of otherwise discoverable electronically stored information—the Judicial Conference avoided characterizations such as “bad faith” or “willful” by specifying that severe sanctions are only available if the court finds “that the party acted with the intent to deprive another party of the information’s use in the litigation . . .” FED. R. CIV. P. 37(e)(2).

<sup>196</sup> For an extensive discussion of all the potential powers that a Court may possess to ensure compliance by a party with its discovery obligations, see *DR Distributions, LLC v. 21 Century Smoking, Inc.*, No. 12 CV 50324, 2021 WL 185082, at \*69–78 (Jan. 19, 2021 W.D. Ill).

<sup>197</sup> For a discussion of how some of these powers, and their limits, see Hon. James C. Francis IV & Eric P. Mandel, *Limits on Limiting Inherent Authority: Rule 37(e) and the Power to Sanction*, 17 SEDONA CONF. J. 613 (2016).

order under Rule 26(f), 35, or 37(a), the court where the action is pending may issue further just orders. They may include the following:

- (i) directing that the matters embraced in the order or other designated facts be taken as established for purposes of the action, as the prevailing party claims;
- (ii) prohibiting the disobedient party from supporting or opposing designated claims or defenses, or from introducing designated matters in evidence;
- (iii) striking pleadings in whole or in part;
- (iv) staying further proceedings until the order is obeyed;
- (v) dismissing the action or proceeding in whole or in part;
- (vi) rendering a default judgment against the disobedient party; or
- (vii) treating as contempt of court the failure to obey any order except an order to submit to a physical or mental examination.

In the federal system, circuit law prescribes the factors that the trial court must consider when selecting the appropriate sanction. For instance, in the Ninth Circuit, the *Leon v. IDX Systems Corp.* decision holds that courts should consider “(1) the public’s interest in expeditious resolution of litigation; (2) the court’s need to manage its dockets; (3) the risk of prejudice to the party seeking sanctions; (4) the public policy favoring disposition of cases on their merits; and (5) the availability of less drastic sanctions.”<sup>198</sup>

The sanctioning power is tempered by a strong presumption that cases would be decided on the merits and not on procedural shortcuts. The most severe sanctions for discovery misconduct—dismissal or default judgment—end the case without getting to the merits. The adverse inference jury instruction, which creates a presumption that evidence unavailable because of a party’s misconduct is unfavorable to that party, can end a case for all practical purposes. The striking of particular pleadings or defenses may have the same effect, if they go to the heart of the case, as would the shifting burdens of persuasion or proof.

In the spoliation context, because of the strong presumption against potentially “case-ending” sanctions, the Federal Circuit has held that such severe sanctions “should not be imposed unless there is clear evidence of both bad-faith spoliation and prejudice to the opposing party.”<sup>199</sup> To make a determination of bad faith, a district court must find the destroying party intended to impair the ability of the other party to support its claims or defenses.<sup>200</sup> “The fundamental element of bad faith spoliation is advantage-seeking behavior by the party with superior access to information necessary for the proper administration of justice.”<sup>201</sup> While spoliation is not an exact analogy to a refusal to

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<sup>198</sup> 464 F.3d 951, 958 (9th Cir. 2006) (quotation and citation omitted).

<sup>199</sup> *Micron Tech, Inc. v. Rambus Inc.*, 645 F.3d 1311, 1328–29 (Fed. Cir. 2011).

<sup>200</sup> *Id.* at 1326.

<sup>201</sup> *Id.*

engage in cross-border discovery, there is ample support for the notion that bad-faith discovery misconduct, resulting in material prejudice to the opposing party, is subject to severe sanctions, including an adverse inference or a shift in the burden of persuasion.

A corollary to the presumption against “case-ending” sanctions is the requirement that the sanction selected must be specifically related to the discovery affected by the misconduct.<sup>202</sup> For instance, if the prevented discovery was related to a particular claim or defense, a sanction of adverse inference or burden shifting must be limited to that claim or defense.

Outside of the federal court system, another source of guidance for seeking potential adverse inferences in appropriate patent and trade secret cases are several determinations of the International Trade Commission (ITC), pursuant to Section 337, involving spoliation in trade secret cases. Although the ITC rarely imposes adverse inferences, since Section 337 proceedings involve nonjury administrative hearings,<sup>203</sup> the ITC has sanctioned parties in several trade secret cases by granting default determinations where it was found that evidence had been destroyed. The ITC has held that under its Rules “spoliation sanctions may be imposed as long as the destruction of evidence was ‘blameworthy’ (i.e., with fault), with the degree of culpability impacting the severity of the sanction.” The ITC has held that the party seeking spoliation sanctions must show (1) that the party having control over the evidence had an obligation to preserve it at the time it was destroyed or materially altered; (2) that the records were destroyed or materially altered with a “culpable state of mind”; and (3) that the destroyed or materially altered evidence was “relevant” to the claim or defense of the party that sought the discovery of the spoliated evidence, to the extent that a reasonable fact finder could conclude that it would support that claim or defense.<sup>204</sup>

The amount of evidence needed to impose a severe sanction is also a matter of circuit law. The Federal Circuit has held that terminating sanctions require findings by “clear and convincing” evidence.<sup>205</sup> The Seventh Circuit has held that the usual “preponderance of the evidence” standard should apply,<sup>206</sup> which appears to be the majority view.<sup>207</sup>

A court cannot “demand the impossible,” and under Rule 37(b)(2)(C), certain sanctions cannot be imposed if the failure to provide discovery or obey a court order was “substantially justified.” But

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<sup>202</sup> *Clientron Corp. v. Devon IT, Inc.*, 894 F.3d 568, 581 (3d Cir. 2018).

<sup>203</sup> ITC Rule 210.33(b) authorizes Administrative Law Judges (ALJs) for failure to comply with an order regarding discovery to “infer that the admission, testimony, documents or other evidence would have been adverse to the party . . . .” 19 CFR 210.33(b)(1). ALJs have drawn adverse inferences under this Rule. *See Certain Nut Jewelry and Parts Thereof*, Inv. No. 337-TA-229, Final ID, 1986 WL 379339 (July 30, 1986) (drawing adverse inference of substantial importation based on failure to provide discovery); *Certain Agricultural Tractors Under 50 Power Take-Off Horsepower*, Inv. No. 337-TA-380, Order No. 52, 1996 WL 965408 at \*6 (Sept. 7, 1996) (imposing certain adverse inferences for failure to comply with discovery order).

<sup>204</sup> *Certain Stainless Steel Products*, Inv. No. 337-TA-933, Comm’n Op at 14–15 (June 9, 2016) (quoting *Opaque Polymers*).

<sup>205</sup> *Micron Tech, Inc.*, 645 F.3d at 1328.

<sup>206</sup> *Ramirez v. T&H Lemont, Inc.*, 845 F.3d 772, 777 (7th Cir. 2016).

<sup>207</sup> *WeRide Corp. v. Kun Huang*, No. 5:18-cv-07233-EJD, 2020 WL 1967209 at \*9 (N.D. Cal. Apr. 24, 2020) (collecting cases).



even if a party may escape sanctions for failing to engage in cross-border discovery, counsel may be sanctioned if it contributed substantially to that failure with bad-faith conduct.<sup>208</sup>

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<sup>208</sup> *See, e.g., Sali v. Corona Reg'l Med. Ctr.*, 884 F.3d 1218 (2018) (sanctioning counsel for failing to cooperate in securing a nonparty's attendance at a deposition).

## *The Sedona Conference Working Group Series & WGS Membership Program*

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The Sedona Conference was founded in 1997 by Richard Braman in pursuit of his vision to move the law forward in a reasoned and just way. Richard’s personal principles and beliefs became the guiding principles for The Sedona Conference: professionalism, civility, an open mind, respect for the beliefs of others, thoughtfulness, reflection, and a belief in a process based on civilized dialogue, not debate. Under Richard’s guidance, The Sedona Conference has convened leading jurists, attorneys, academics, and experts, all of whom support the mission of the organization by their participation in conferences and the Sedona Conference Working Group Series (WGS). After a long and courageous battle with cancer, Richard passed away on June 9, 2014, but not before seeing The Sedona Conference grow into the leading nonpartisan, nonprofit research and educational institute dedicated to the advanced study of law and policy in the areas of complex litigation, antitrust law, and intellectual property rights.

The WGS was established to pursue in-depth study of tipping point issues in the areas of antitrust law, complex litigation, and intellectual property rights. It represents the evolution of The Sedona Conference from a forum for advanced dialogue to an open think tank confronting some of the most challenging issues faced by our legal system today.

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The first Working Group was convened in October 2002 and was dedicated to the development of guidelines for electronic document retention and production. Its first publication, *The Sedona Principles: Best Practices Recommendations & Principles Addressing Electronic Document Production*, has been cited favorably in scores of court decisions, as well as by policy makers, professional associations, and legal academics. In the years since then, the publications of other Working Groups have had similar positive impact.

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