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Discovery in International Legal Developments Year in Review: 1998

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magazines, Russian news agencies, and the Union of Journalists of Russia. The plaintiffs claimed that the defendant illegally copied about 500 of the plaintiffs' articles without permission. Neither the parties nor the district court addressed the choice of law issue. Rather, they all assumed that Russian law applied and debated exactly how Russian law dealt with the issues before them. Plaintiffs achieved measured success (some damages and an injunction against the defendant) in the district court. On appeal, the court of appeals asked the parties to address the choice of law issue. In addition, to help it with this difficult and rarely covered aspect of choice of law, the court requested Professor William Patry to submit a brief as amicus curiae.

The choice of law issue presented was which country's law applies to copyright ownership and which applies to copyright infringement. The appellate court's analysis of the conflicts issue began with a determination that the U.S. Act implementing the Berne Copyright Convention did not supplant existing U.S. copyright protection, the Copyright Acts. However, that act did not itself contain provisions relevant to the issues that were before the court. Accordingly, the court stated that it would "fill the interstices of the Act by developing federal common law on the conflicts issue . . . [and in doing so, the court is] entitled to consider and apply principles of private international law . . ."[163]

The court then separated the discussion of the copyright issue into the issue of copyright ownership and copyright infringement. For the ownership issue, the court applied the usual rule for property—that property interests are determined according to the law of the state with the most significant relationship to the property and the parties. Finding that the works were created by Russian nationals and first published in Russia, the court determined that Russian law should apply and that the Berne Convention suggested nothing to the contrary.

With respect to the infringement issues, the court applied the usual rule for torts—*lex loci delicti*. Because the infringement occurred in the United States, the court applied U.S. law to the infringement issues (it also remarked that to the extent a wider "interests" approach should be considered, it would still have applied U.S. law inasmuch as the defendant was a U.S. entity).[164]

The court ultimately concluded that the Russian newspapers did not, under Russian law, have any copyright ownership in the text of the articles (although they may have had such rights in the selection, arrangement, and display of the articles). It remanded the case for further development with respect to the Russian authors' rights and certain other matters.

VI. Discovery

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A. INTRODUCTION

American procedure regarding international discovery stems from 28 U.S.C. §§ 1781-1783, and the Federal Rules of Civil Procedure, in particular Rule 28(b). The leading case on the topic of international discovery is the Supreme Court's decision in *Société Nationale Industielle*

163. *Id.* at 90.

164. *See id.* at 91.

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Aerospatiale v. United States District Court.[165] Many later cases base their reasoning on interpretations of *Aerospatiale*.

B. Defining Proceedings Before Foreign Tribunals Entitled to Aid

1. *Second Circuit Finds That Private Commercial Arbitrations Are Not Foreign or International Tribunals*

In *NBC v. Bear Stearns & Co.*,[166] the Second Circuit held that a private commercial arbitration was not a "foreign or international tribunal" for purposes of 28 U.S.C. § 1782. At issue was whether section 1782 empowered U.S. courts to compel third parties not bound by the arbitration contract in question to respond to subpoenas issued in relation to the arbitration. The Second Circuit began by noting that "foreign or international tribunals" is undefined in the statute, and thus "is to be given its plain or natural meaning."[167] Although finding the term's plain meaning to be broad enough to include both state-sponsored and private tribunals, the court concluded that reference to the statute's context was necessary to determine Congress' intent.[168] Reviewing the legislative history, the Second Circuit concluded that the term "tribunals" was only meant to refer to conventional courts, intergovernmental arbitral tribunals, and other state-sponsored adjudicatory bodies.[169] Moreover, construing section 1782 to include private commercial arbitrations would be "in stark contrast" to the limited evidence gathering capabilities of domestic arbitrations under the Federal Arbitration Act, would undermine the efficiency and cost effectiveness of international arbitration, and "thus arguably conflict with the strong federal policy favoring arbitration as an alternative means of dispute resolution . . . [and] would create an entirely new category of disputes concerning the appointment of arbitrators and the characterization of arbitral panels as domestic, foreign, or international."[170]

2. *Second Circuit Parses Definition of Foreign Tribunal*

In *Euromepa S.A. v. Esmerian*,[171] the Second Circuit found that neither a pending French bankruptcy proceeding following a final judgment by the French Supreme Court, nor a potential motion to reopen the judgment of the French Court of Appeal, met section 1782's requirement that the discovery sought be for use in a "foreign tribunal." As in prior such decisions, the Second Circuit focused its analysis "on two questions: (1) whether a foreign proceeding is adjudicative in nature; and (2) when there is actually a foreign proceeding."[172] The *Euromepa* court reasoned that, while there may be bankruptcy proceedings that constitute adjudicative proceedings for the purpose of section 1782,[173] in the instant case the merits had already been adjudicated and the bankruptcy proceeding existed merely to enforce a pre-existing judgment, and thus was not adjudicative.[174]

Regarding the issue of whether there is actually a foreign proceeding—the issue of pendency—the Second Circuit found that "a proceeding need not actually be pending, but rather that a

165. Société Nationale Industielle Aerospatiale v. United States Dist. Court, 482 U.S. 522 (1987).
166. NBC v. Bear Stearns & Co., 1999 U.S. App. LEXIS 933 (2d Cir. Jan. 26, 1999).
167. *NBC*, 1999 U.S. App. LEXIS 933 at *11.
168. *See id.* at *12-*13.
169. *See id.* at *14-*20.
170. *Id.* at *22 (citations omitted).
171. Euromepa S.A. v. Esmerian, 154 F.3d. 24 (2d Cir. 1998).
172. *Id.* at 27.
173. *See id.* at 28, citing Lancaster Factoring Co. v. Mangone, 90 F.3d 38, 42 (2d Cir. 1996).
174. *See* In re Letters Rogatory, 385 F.2d 1017 (2d Cir. 1967).

proceeding must be 'imminent—very likely to occur and very soon to occur.' "[175] The *Euromepa* court concluded that the argument that discovery could be used regarding a potential reopening of the case was "meritless," since "Section 1782 is designed to provide discovery in aid of foreign litigation, not to provide discovery to justify the reopening of already completed foreign litigation."[176]

C. Discovery for Proceedings Before Foreign or International Tribunals

1. *Third Circuit Does Not Find a Discoverability Requirement in Ordering Discovery Related to a Proceeding Before a Foreign Tribunal*

In *In re Bayer AG*,[177] the Third Circuit held that a petitioner for discovery under section 1782 did not need first to seek a ruling from a foreign tribunal on whether the discovery was permissible. The district court had denied Bayer's application for discovery because Bayer had not first obtained a ruling from the judge in the underlying Spanish proceeding as to whether the requested information was relevant. Reviewing the Third Circuit's previous decision in *John Deere Ltd. v. Sperry Corp.*,[178] the *Bayer* court stated that the *John Deere* court "held that neither reciprocity nor admissibility were controlling concerns under § 1782(a)."[179] If Congress had chosen to include a requirement of discoverability, it would have done so explicitly.

Importantly, the *Bayer* court found that granting discovery where it would not be available in a foreign jurisdiction would not lead other nations to perceive the United States as holding their laws in contempt.[180] In addressing the argument that Bayer could have gone to the Spanish court first in its attempt to obtain discovery, the Third Circuit stated that this would impose a " 'quasi-exhaustion requirement' [that] . . . has been rejected by those courts that have addressed it."[181]

2. *Southern District of New York Clarifies Procedures of International Judicial Assistance*

In two decisions in *In re Letters Rogatory from Caracas, Venezuela, S.A., Concerning Cecilia Matos*,[182] a New York federal court considered various issues related to international judicial assistance in response to letters rogatory. The letters were issued by a Venezuelan court asking the U.S. Department of Justice to gather certain evidence regarding Carlos Andres Perez and Cecilia Matos, his alleged common-law wife. The district court, on petition from the Department of Justice, appointed a commissioner to oversee the gathering of evidence. The commissioner subpoenaed Matos to testify, and Matos moved to quash.

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175. *Euromepa*, 154 F.3d at 27, quoting In re International Judicial Assistance (Letter Rogatory) of the Federative Republic of Brazil, 936 F.2d 702, 706 (2d Cir. 1991).

176. *Id.* at 29.

177. In re Bayer AG, 146 F.3d 188 (3d Cir. 1998).

178. John Deere Ltd. v. Sperry Corp., 754 F.2d 132 (3d Cir. 1985).

179. *Bayer*, 146 F.3d at 192. The *Bayer* court found the application of *John Deere* by the district court for the proposition that there is a discoverability requirement "understandable" because at least two previous courts of appeal had come to similar conclusions. *See* In re Asta Medica, S.A., 981 F.2d 1, 6 (1st Cir. 1992); In re Request for Assistance from Ministry of Legal Affairs of Trinidad & Tobago, 848 F.2d 1151, 1156 (11th Cir. 1988). The court noted, however, that "[i]n contrast, the Second Circuit read *John Deere* as we do . . . [t]hat court said insightfully '*John Deere* is not a case about whether section 1782 requires discoverability, and the court never explicitly states such a requirement exists.' " *Bayer*, 146 F.3d at 192 citing In re Gianoli Aldunate, 3 F.3d 54, 60 (2d Cir. 1993).

180. *Bayer*, 146 F.3d at 194.

181. *Id.* at 195-96, citing In re Malev Hungarian Airlines, 964 F.2d 97, 100 (2d Cir. 1992).

182. In re Letters Rogatory, 1998 U.S. Dist. LEXIS 233 (S.D.N.Y., filed Jan. 14, 1998) and 1998 U.S. Dist. LEXIS 2755 (S.D.N.Y., filed Mar. 11, 1998).

Finding that the letters could not fairly be read to include the Matos subpoena, the court quashed the subpoena, stating that "the scope of the commissioner's authority to gather evidence must be found in the text of the [letters rogatory] or it cannot be found at all."[183] Furthermore, the court found it unlikely that a Venezuelan court would order such a deposition in light of the Venezuelan constitutional protections regarding self-incrimination and spousal privileges.

In the second decision,[184] the court denied Matos' motion to bar transmission of a transcript of a deposition of a non-party that had been conducted not only by the commissioner, but by a member of the Venezuelan consulate as well. According to Matos, the Inter-American Convention on Letters Rogatory forbade consular officials from performing acts involving compulsion, and the questioning of the deponent by the consular official constituted the unlicensed practice of law. The court stated that it was doubtful that either Matos or the non-party deponent had standing to claim a violation of the treaty, as the treaty "creates rights in the signatory states, not in any individual or group."[185] Moreover, the court believed the facts did not support the contention that the consular official used compulsion in any way as he merely posed questions, and where the deponent was directed to answer, the direction came from the commissioner. In any case, the court found that the treaty provides that consular or diplomatic agents may take evidence and obtain information, and that under the Supremacy Clause, the treaty provision superseded any licensing requirement under New York law.[186]

3. *Privilege Under Hague Evidence Convention*

At issue in *In re Letters Rogatory from the Local Court of Plon, Germany*[187] was whether the respondent could be compelled by a Michigan federal court to produce a blood sample to establish paternity upon request made by the Local Court of Plon, Germany in a letter rogatory where Michigan law would not require such a blood sample under the circumstances. The court assessed whether article 11 of the Hague Convention[188] was implicated by the Michigan law. The court agreed with the government that "[t]he fact that Michigan courts would not require a putative father to produce blood samples, once he acknowledges paternity, does not prove that such a test be precluded."[189] Simply stating that a blood sample would not be required under Michigan law did not constitute a privilege or duty to refuse.

D. Discovery for Proceedings Before U.S. Courts

1. *Trial Court Addresses Use of Hague Convention Before New York State Courts*

In *Bank of Tokyo-Mitsubishi, Ltd. v. Kvaerner a.s.*,[190] a New York state trial court considered the relationship of the Hague Convention to state discovery rules and, echoing federal jurisprudence, found that "Hague Convention procedures are not required so long as the discovery takes

183. *Id.* at *6.

184. *See id.*

185. *Id.* at *3.

186. *See id.* at *5, *citing* Inter-American Convention on Letters Rogatory, arts. 2 and 13.

187. In re Letters Rogatory, 29 F. Supp. 2d 776, 1998 WL 884465 (E.D. Mich. Oct. 27, 1998).

188. Stating, "[i]n the execution of a letter of request, the person concerned may refuse to give evidence in so far as he has a privilege or duty to refuse to give evidence . . . (a) under the law of the State of execution . . ." Hague Convention on Taking Evidence Abroad in Civil or Commercial Matters, Mar. 18, 1970, art. 11, 23 U.S.T. 2555, T.I.A.S. No. 7444.

189. *Letters Rogatory*, 1998 WL 884465 at *3 (internal quotation omitted).

190. Bank of Tokyo-Mitsubishi, Ltd. v. Kvaerner a.s., 175 Misc.2d 408, 671 N.Y.S.2d 902 (Sup. Ct., N.Y. Co. Jan. 15, 1998).

place within the United States and is in no way offensive to the principles of international comity."[191]

2. *Second Circuit Finds Broad Ability to Serve Partnerships and No Mandatory Primacy of Hague Convention in Document Discovery*

This past year there were a series of decisions in relation to *First American Corporation v. Price Waterhouse LLP*, of which two are of particular note as concerns discovery of foreign non-parties through subpoenas under Federal Rule of Civil Procedure 45.

On appeal in *First American Corp. v. Price Waterhouse LLP*,[192] the Second Circuit found that under New York law, a document subpoena can be served on a non-New York partnership by personal process on any partner who happens to be within New York: "If valid service is effected on any partner within the state, personal jurisdiction over the partnership is achieved."[193] Regarding whether a British court should first decide on the propriety of the requested disclosure, the Second Circuit was not persuaded by arguments that First American should be compelled to resort first to the Hague Convention in relation to demands of non-party witnesses. The Second Circuit found comity analysis to be more applicable, and it also found that the district court had done what comity requires in using the *Minpeco* factors to gauge the reasonableness of the discovery request.[194] If the British courts prohibited Price Waterhouse U.K. from disclosing the subpoenaed documents, the company could seek exemption from sanctions under Rule 37.[195] Finally, the Second Circuit concluded that the Hague Convention did not offer "a meaningful avenue of discovery in the present case" since the U.K. only permits pretrial discovery if each document sought is separately described, which would not be possible in this case.[196]

3. *Where Depositions of Foreign Persons May Be Held*

Shortly after the Second Circuit ruling, the district court in *First American* turned to a subpoena that purported to command depositions of London-based witnesses in New York.[197] The foreign non-party argued that Rule 45 forbade compelling a witness to travel more than 100 miles from the place where that person resides, is employed or regularly transacts business *in person* to testify as a non-party in a deposition and that enforcement of the subpoena would violate international comity. The court concluded that the fact that the foreign non-party did business in New York through an agent was insufficient to permit a deposition in New York; " 'the place' where [Price Waterhouse U.K.] and its partners and employees 'reside,' are 'employed,' or 'regularly transact[s] business in person' is not New York."[198] If, however, the deposition were to be conducted in England, the subpoena could not be issued from New York, as Rule 45 contemplated that the subpoena issue from the district in which the witness was and that district be no more than 100 miles from that witness's residence, employ, or place in which he or she regularly transacts business.

191. *Id.* at 410, 671 N.Y.S.2d at 904, *citing* Wilson v. Lufthansa 108 A.D.2d 393, 397, 489 N.Y.S.2d 575.

192. First Am. Corp. v. Price Waterhouse LLP, 154 F.3d 16 (2d Cir. 1998).

193. *Id.* at 19.

194. The Minpeco factors are: (i) the competing interests of the nations whose laws are in conflict; (ii) the hardship that compliance would impose on the party or witness from whom discovery is sought; (iii) the importance to the litigation of the information and documents requested; and (iv) the good faith of the party resisting discovery. *Id.* at 22, citing Minpeco, S.A. v. Conticommodity Servs., Inc., 116 F.R.D. 517, 523 (S.D.N.Y. 1987).

195. *See First Am. Corp.*, 154 F.3d at 22.

196. *Id.* at 23.

197. First Am. Corp. v. Price Waterhouse LLP, 1998 WL 474196 (S.D.N.Y. Aug. 13, 1998).

198. *See id.* at *6.

In *Triple Crown America, Inc. v. Biosynth AG*,[199] a Pennsylvania federal court considered whether Biosynth AG, a foreign corporation with its principal place of business in Staad, Switzerland, could be ordered to appear for depositions in that district. The court noted that Swiss law places substantial restrictions on the conduct of discovery.[200] Biosynth AG argued for reliance on the Hague Convention, and that Swiss authorities may allow depositions in Switzerland for use in a U.S. lawsuit, but provided no details as to the procedures or how long they might take. The court stated that "[t]he burden of demonstrating that use of the Convention procedures would provide effective discovery is on the proponent of using such procedures."[201] The court concluded that depositions in Switzerland would "entail substantial time, effort, expense and delay, and would not effectively facilitate the gathering of evidence in a manner contemplated by the Federal Rules."[202] Consequently, plaintiff could depose Biosynth AG in the Eastern District of Pennsylvania, although plaintiff would be required to reimburse defendant for reasonable travel and lodging costs and the depositions were to be scheduled to minimize disruption to the operation of Biosynth AG.[203]

Ex Parte Toyokuni & Co., Ltd.[204] concerned a suit against a kerosene heater manufacturer over a death allegedly caused by a faulty heater. The administrator of the estate of the deceased sought to depose representatives of defendant Toyokuni, a Japanese corporation that had no offices in Alabama or the United States. The Alabama Supreme Court found that since the plaintiff had made an attempt to suggest a mutually convenient mid-point for the depositions, such as Los Angeles, but Toyokuni rejected the suggestion, the circuit court had not abused its discretion in ordering the depositions to take place in Alabama, as opposed to Toyokuni's offices in Japan, as it was "[f]aced with Toyokuni's lack of cooperation."[205]

The Alabama Supreme Court did not view Japan as a viable venue for the depositions due to its strict discovery procedures, especially since "Toyokuni would have access to our more open discovery methods."[206] Moreover, the court perceived a U.S. interest in having the depositions in Alabama to resolve any discovery conflicts and "in maintaining the integrity of our judicial system and in exercising the jurisdiction of this state and this nation over persons whose products are distributed in the United States and in Alabama."[207]

VII. Personal Jurisdiction

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The U.S. courts continued to refine the legal principles governing when they may properly exercise personal jurisdiction over cases involving foreign parties and events. Notable developments in 1998 focused on jurisdiction over intentional torts by foreign parties and applicable burden of proof.

199. Triple Crown Am., Inc. v. Biosynth AG, 1998 WL 227886 (E.D. Pa Apr. 30, 1998).
200. *See id.* at *3.
201. *See id.* (citations omitted).
202. *See id.* at *4.
203. *See id.*
204. Ex Parte Toyokuni & Co., Ltd., 715 So.2d 786 (Ala. S. Ct 1998).
205. *See id.* at 789.
206. *See id.*
207. *See id.* at 789-90.

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