



SideBAR

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OPENING STATEMENTS

Message from the Chair

William Frank Carroll

Welcome to the Winter edition of our section's award winning publication, SideBAR. I am sure you will find it interesting, informative and educational.

The Federal Bar Association Annual Meeting and Convention was held in San Diego, Calif. in September. The Federal Litigation Section presented an outstanding CLE program: "The Supreme Court's 2011 Class Action Revolution—A One Year Retrospective." Several of the speakers and panelists from last year's very successful Chicago program returned to discuss the *Concepcion*, *Bayer*, *Halliburton* and *Duke* decisions and the application and interpretation of these decisions during the last year. The section also hosted a reception at the program for all attendees. Both were heavily attended and very successful.

The section has planned an equally exciting and informative number of events for the coming year. In addition to continuing to sponsor programs jointly with local FBA chapters, the section plans to expand our webinar programs to three or four in 2013 as well as sponsoring an all day seminar. At the Annual Meeting and Convention scheduled for Sept. 26-28, 2013, in Puerto Rico, the section will again sponsor one and perhaps two seminars on



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Editor's Notes

Robert E. Kohn

It is a privilege to bring you another issue of SideBAR. This is your forum to exchange practical insight and substantive developments in the profession and craft of litigating in the federal courts.

As always, the current issue benefits from the contributions of the federal litigation bar. I encourage you to write the varied and insightful articles that we enjoy each time this newsletter is published. Thank you. **SB**



About the Editor

Robert E. Kohn litigates entertainment, business, and intellectual property disputes in the Los Angeles area. He also argues appeals in federal and state courts at all levels. A former clerk to Hon. Joel F. Dubina of the Eleventh Circuit, Kohn attended Duke Law School. He is the vice chair of the Federal Litigation Section and co-chairs the committee on Federal Rules of Procedure and Trial Practice. He can be reached at rkohn@kohnlawgroup.com.

BRIEFING THE CAUSE

Pitfalls of Predictive Coding By Matthew A.S. Esworthy

Peter works for a struggling soft-drink company. He gains access to the offices of The Coca-Cola Company and steals Coke's secret formula. The formula turns out to be quite simple, allowing Peter to write the ingredients on a piece of paper he finds nearby. When he gets to his own office later that day, Peter scans the paper with the scribbled recipe, creates an electronic PDF and sends the PDF to his email account at work. He then prints the PDF and hands it off to an underling in the products development team at his company. The engineering manager memorizes the formula and destroys the paper with the hand-written notes. One small problem: Peter forgets to delete the email with the attached PDF of his hand-copied formula.

Months later, when Coca-Cola sues this company for creating a beverage that tastes just like Coke—with Coke alleging that the competitor stole its secret recipe—will this crucial piece of evidence in the form of a PDF be discovered in the review of ESI, or electronically stored information? Not likely, if the parties in the case have agreed to use “predictive coding,” the hottest new discovery method being marketed to attorneys and their clients.

Predictive coding refers to a new way to sift through terabytes of ESI (millions of discoverable electronic documents) that are inevitably part of cases such as the hypothetical dispute outlined above. The method involves the loading of all documents into a program and manually reviewing just enough of them to train the program, via a sophisticated computer algorithm, to recognize what documents are relevant and what are not. Predictive coding generally reduces the number of documents down to about 10 percent of the originally collected data set.

When one considers that many cases today yield more than three million documents for review, culling it down to a mere 300,000 of the most relevant documents clearly seems more reasonable and manageable. Though predictive coding still involves a certain amount of manpower to program and test the coding, the costs—in terms of time and labor—are only a fraction of what they would be using manpower alone.

Not only that: studies indicate that predictive coding is far superior to manual review, which may involve dozens of attorneys who might easily miss key documents as their attention to detail wanes. It is also considered far more advanced than keyword searches, which must be used in conjunction with heavy manual review because code words and other unknown terms can easily be missed by even an abundance of keyword searches.

As good as it sounds, however, predictive coding cannot be seen as a total replacement for human review. Like all forms of electronic review, predictive coding is still limited by OCR, or optical character recognition. That means it is limited to the quality of the data stored in the ESI repository. In other words, predictive coding—or any form of electronic review, for that matter—will likely still miss hand-written notes on a PDF, hand-written symbols like exclamation points, underlining, or manual highlighting. That is, of course, unless an element of human review is included in the process before predictive coding occurs because the handwriting, underlining, highlighting or other

symbols are still visible on a PDF—they are just not searchable. Surprisingly, some brands of OCR software have trouble reading certain forms of typeface or fonts. Information contained in such typefaces or in handwriting could provide pivotal information in a case—and human review can detect such information even if computers cannot.

Despite this limitation, predictive coding is beginning to muscle out manual review in cases throughout the country. In February of this year, U.S. Magistrate Judge Andrew J. Peck, for the southern district of New York, ruled affirmatively on the use of predictive coding in an employment-discrimination suit brought by five female employees of the French advertising agency Publicis Groupe and its U.S. subsidiary, MSL Group. In granting Publicis Groupe’s request to use predictive coding to handle the bulk of its ESI requirements, Judge Peck cited an article he’d written about the subject, noting a passage in which he wrote that “computer assisted coding should be used in those cases where it will help ‘secure the just, speedy, and inexpensive’ determination of cases in our e-discovery world.” He affirmed that view in his order.

In April, a state judge in Virginia’s Loudon Circuit Court ruled similarly, ordering that defendant Landow Aviation could use predictive coding in a case involving a collapsed airplane hangar, despite plaintiff’s objections that human review would be a more effective tool in culling out relevant documents.

In another well-tracked case, plaintiff Kleen Products argued in federal court in the northern district of Illinois that defendants’ failure to use predictive coding produced incomplete discovery. They have filed a motion to have defendant Packaging Corporation of America start from square one, and ignore what has been done so far.

Though the judge in Kleen has essentially ruled that this argument comes too late in the discovery process to be seriously considered, the argument is reverberating throughout the legal community. Plaintiffs in Kleen apparently raised their concerns about the defendants’ use of keyword search tools after more than one million documents had already been produced and approximately 99% of the review had been completed. Had the argument been raised earlier, plaintiff’s demand for use of predictive coding may have carried more sway.

As the volume of ESI discovery continues to grow, the argument in favor of predictive coding only grows stronger. It is hard to argue that a roomful of exhausted young attorneys sorting through millions of documents is more effective than a sophisticated computer algorithm that weeds out all but the most relevant material. However, it should also be noted that no sophisticated computer algorithm can yet render human review obsolete. Though our society has become driven by technology, the pen, pencil and marker are still ubiquitous in offices worldwide—and may provide vital evidence in a case. **SB**

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Predictive Coding: The ESI Tool Of The Future? By Scott A. Petz and Thomas D. Isaacs

Executive Summary

The explosion of electronic documents maintained by companies has resulted in voluminous pools of potentially relevant documents, on the order of millions, that are gathered in response to document requests. The process of predictive coding involves a dynamic, interactive process between attorneys and predictive coding software offered by third-party vendors. By beginning with a "seed set" of documents reviewed by senior counsel for relevance, and building upon that in an iterative process, attorneys are able to cull through millions of documents in an efficient and cost-effective manner.

Introduction

Both the Federal Rules of Civil Procedure and the Michigan Court Rules make it clear that electronically stored information (ESI) is discoverable.¹ ESI² is a term of art that causes attorneys a lot of anxiety. As well it should, given the pace at which technology is advancing, the proliferation of sources in which discoverable information may be found and the rate at which attorneys are being sanctioned for failing to properly operate in the evolving eDiscovery world. For these reasons, attorneys must take the time to stay knowledgeable of what constitutes ESI and their obligations with respect to preserving, reviewing and producing ESI in litigation.

Predictive coding has emerged as the newest and hottest eDiscovery technology intended to assist attorneys with ESI document review and production. In the most basic sense predictive coding is an interactive process that allows an attorney to use software to cull through large volumes of data to evaluate the responsiveness of documents without the need for a direct manual review of all those documents. Accordingly, if used appropriately predictive coding may reduce the time and expense of document review projects and the number of projects that clients elect to outsource, as well as provide litigation counsel an effective and efficient way to locate and retrieve responsive materials.

How Does Predictive Coding Work?

It is important to recognize at the outset that predictive coding is not "automated" or "automatic coding." Instead, predictive coding uses sophisticated algorithms to determine a document's relevancy based on the software's interaction with a human reviewer, similar to how an email "spam filter" can eliminate email a person has previously determined is "junk."³ In the litigation context, the predictive coding process can be generally broken down as follows: (1) The senior attorney and/or his or her core team (team) review and code a "seed set" of documents; (2) the predictive coding software identifies properties of the coded documents, which are used to electronically code other documents; (3) the team then reviews these other documents for accuracy and adds them to the original seed set to further enhance the predictive coding software's capability; (4) once the reviewer's coding and the predictive coding software's predictions "sufficiently coincide," the predictive coding software is deemed to have learned enough to confidently predict the coding for the remaining documents in the

set.⁴ Generally, the team "needs to review only a few thousand documents to train the computer."⁵

After the coding process is complete, the predictive coding software categorizes documents by perceived relevance, which reduces the number of documents that ultimately may need to be manually reviewed.⁶ Predictive coding can, for example, rank the relevancy of documents on a scale of 1 to 100, which may allow the team to manually review only those documents that are most likely to be responsive, and only manually review a sample of the documents likely to be non-responsive for quality control.⁷

Have Courts Approved the Use of Predictive Coding?

U.S. Magistrate Judge Andrew Peck of the southern district of New York placed predictive coding on the main stage in an October 2011 article for the *Law Technology News*. In his article, Magistrate Judge Peck discussed the virtues of predictive coding when compared to more traditional document review methods such as linear manual review and keyword searches.⁸ Magistrate Judge Peck recognized that at that time there was no judicial opinion either approving or rejecting predictive coding, but that counsel could look to his "article as a sign of judicial approval."⁹

Soon thereafter, Magistrate Judge Peck considered and approved the use of predictive coding as a discovery tool in litigation. In *Moore v Publicis Groupe SA*, the parties agreed to the use of predictive coding in concept, but disagreed on its implementation and the processes to be followed in order to ensure compliance with the Federal Rules of Civil Procedure.¹⁰ Magistrate Judge Peck accepted the defendant's use of predictive coding, basing his decision on his finding that the defendant's proposed predictive coding process was transparent and subject to appropriate quality controls.

In *Moore*, the defendant gathered approximately 3 million electronic documents that were potentially responsive to the plaintiff's discovery requests.¹¹ The defendant proposed using predictive coding in order to efficiently cull down the population of documents without having to incur the expense of a costly manual review.¹² As part of its proposal, the defendant created a seed set of 2,399 documents through sampling and keyword searches with Boolean connectors.¹³ The plaintiffs were able to provide the defendant with certain additional keywords, which resulted in another 4,000 documents being added to the seed set.¹⁴ Senior attorneys—not junior associates or paralegals—reviewed and coded the seed set.¹⁵

The defendant further agreed to give plaintiffs the as-coded original seed set for their review so they could make any desired changes to the coding that could then be incorporated to "train" the predictive coding software.¹⁶ The defendant then proposed to review documents the predictive coding software returned as relevant in seven iterative rounds to determine if the computer was in fact returning responsive materials.¹⁷ Any changes in coding during these rounds would be incorporated by the software to further stabilize its training. Finally, the defendant agreed to review a random sample (2,399 documents) that the predictive coding software returned as not relevant to make sure that the

Predictive continued from page 3

documents were not actually responsive.¹⁸ The defendant agreed that it would show plaintiff all the documents it looked at for each review round.¹⁹

The plaintiffs agreed to defendant's use of predictive coding, but disputed the reliability of the defendant's protocol for the review, arguing that there were no standards to assess whether the software's results were accurate.²⁰ The plaintiffs further asserted that the defendant's predictive coding approach was contrary to the FR Civ P 26(g) requirement that an attorney certify that his or her client's document production is "complete" and "correct," and that accepting the defendant's proposed protocol violated the gatekeeping function under FRE 702.²¹

Magistrate Judge Peck rejected the plaintiff's arguments and determined that predictive coding, while "not magic," is "an acceptable way to search for relevant ESI in appropriate cases."²² Magistrate Judge Peck recognized that the goal of any review method is to maximize the amount of "recall" ("the fraction of relevant documents identified during a review") and "precision" ("the fraction of identified documents that are relevant") at a cost proportionate to the case.²³ Magistrate Judge Peck found that predictive coding was just as, if not more, reliable than other traditional ways of review, such as linear manual document review or using keyword searches.²⁴ Further, the court determined that predictive coding, by lessening the significant costs of document review and production, can serve the need for cost effectiveness and proportionality in discovery as required by FR Civ P 26.²⁵

Moreover, Magistrate Judge Peck noted that the defendant's transparency in setting forth its proposed predictive coding protocol and willingness to share its seed set with the plaintiffs "made it easier" for the court to approve the defendant's use of predictive coding.²⁶ The court finally held that for predictive coding to be allowed in a party should develop an appropriate process using available technology and institute suitable quality controls while adhering to the proportionality requirements of FR Civ P 1 and 26.²⁷

Magistrate Judge Peck's opinion, which "appears to be the first in which a Court has approved of the use of computer-assisted review,"²⁸ was adopted by Judge Carter Jr. in his opinion rejecting plaintiffs' objections to, among other things, Magistrate Judge Peck's opinion.²⁹

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current federal litigation topics.

We will also continue to publish SideBAR on a quarterly basis under the leadership of editor Rob Kohn. I would encourage you to consider writing an article on a topic of interest for SideBAR. The articles average 1,200 words (about five or six pages), and are written in a "journalistic" style with minimal footnotes. If you are interested in writing an article or have questions regarding the process, please contact Rob at rkohn@kohnlawgroup.com.

I invite you to become active in our section. Your ideas, participation and questions are welcomed. Please contact me at (214) 698-7828 or fcarroll@coxsmith.com at any time. I look forward to meeting and working with you in the coming year. **SB**

A Virginia state circuit court also approved the use of predictive coding in perhaps the only other case to date that addresses the use of predictive coding. In *Global Aerospace, et al v Landow Aviation LP, et al*, the Loudoun County Circuit Court ruled on April 23, 2012 that the defendants could use predictive coding for purposes of processing and producing ESI.³⁰ There were approximately 2 million documents, or 250 gigabytes worth of ESI, at issue. The defendants filed a motion for a protective order to approve their use of predictive coding, arguing that it would return a higher percentage of relevant documents than either linear manual review or keyword searches at a fraction of the time and expense.³¹ The defendants proposed to give the plaintiffs a copy of their seed set documents before the software separated the relevant from the irrelevant documents, and then to take a statistically validated sample from the resultant relevant and irrelevant document groups once the search was processed for quality control purposes.³² The court granted the defendants' motion.³³

Predictive Coding: Best Practices

Predictive coding should not be feared or ignored by the legal community as the bar waits for more courts to address its use. However, as the above demonstrates, an attorney seeking to use predictive coding must be prepared to defend its use.³⁴ Factor-based tests are a popular and helpful way for courts and attorneys alike to make complicated legal determinations. Consequently, it should be of little surprise that attorneys must be aware of what factors courts consider when determining whether to approve the use of predictive coding in a case. Magistrate Judge Peck's opinion offers attorneys such guidance, which can be broken down as follows: (1) Whether the parties have reached an agreement on the use of predictive coding; (2) the amount of ESI at issue; (3) the superiority of predictive coding to available alternatives; (4) the need for cost effectiveness under FR Civ P 26; (5) the need for proportionality under FR Civ P 26; and (6) the transparency of the process proposed.³⁵ Certain factors and other best practices are discussed below.

Address the Use of Predictive Coding Head On: The Federal Rules of Civil Procedure require parties to address eDiscovery issues at the onset of litigation.³⁶ In particular, Rule 26(f) requires parties to consider ESI when conferring about the case's discovery plan. Rule 26(f)(3) requires the parties' discovery plan

About the Chair

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to state the parties' views and proposal on, among other things, "(C) any issues about disclosure or discovery of electronically stored information, including the form or forms in which it should be produced."

When litigating in state courts, the applicable court rules should be checked to identify what rules, if any, may require the parties to address eDiscovery issues early on in litigation. The Michigan Court Rules were amended effective January 1, 2009 to address the possibility of early involvement by a court on discovery matters related to ESI.³⁷ This amendment has been criticized because unlike the Federal Rules of Civil Procedure, parties are not required to meet and confer regarding electronically stored information in all cases.³⁸

Whether required by the applicable rules or not, an attorney should always consider tackling the issue of ESI head on. If you are considering predictive coding as a tool to deal with ESI, then this should be raised at the beginning of the case.³⁹ The goal of addressing eDiscovery early on is to reduce the risks and costs associated with ESI. The best way to do this is by attempting to reach an agreement with opposing counsel on these issues early on, and to the extent you are unable to do so to seek court intervention to determine, for example, whether the court will approve the use of predictive coding.⁴⁰

Be Transparent About Your Predictive Coding Process: The New York federal case and the Virginia state case show that transparency is vital to a court approving a proposed predictive coding protocol. The producing parties in both *Moore* and *Landow* explicitly revealed the procedures they intended to follow with respect to the selection and review of a seed set and the statistical confidence levels they sought once the predictive coding software was trained. The producing parties also agreed to let the opposing party review the proposed seed set coding and make any revisions they deemed necessary. In fact, Magistrate Judge Peck acknowledged that such transparency was a key factor in the court approving the use of predictive coding.⁴¹

Institute Quality Control Procedures to Demonstrate the Reliability of Your Predictive Coding Process: Although predictive coding has the potential to significantly cut down on the time and expense of large ESI document reviews, appropriate quality control processes must be put in place to show that a predictive coding protocol will lead to reliable results. Such measures include reviewing multiple sets of random documents at the outset to ensure the software is adequately trained before it is used to code the document population, and reviewing documents the software coded as not relevant to ensure that such materials are in fact non-responsive. Courts are unlikely to approve of the use of predictive coding unless such strict quality control processes are put in place to ensure that the results are reliable.⁴²

Recognize Your Role: Attorneys must recognize that, except perhaps for a talented few, they are not litigation technology specialists. Accordingly, attorneys should reach out to litigation technology specialists to assist in creating a reasonable and defensible plan for their use of predictive coding at the beginning of litigation. Various companies offer predictive coding services, such as Epiq Systems,⁴³ Xpriori,⁴⁴ OrcaTec⁴⁵ and Recomind.⁴⁶ These companies and others can offer

attorneys valuable information in determining whether to use predictive coding in a specific case.⁴⁷ **SB**

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Endnotes

¹FR Civ P 34(a)(1)(A); see also MCR 2.302(B)(1).

²See Dean Gonsowski, *Top Ten eDiscovery Predictions for 2012* (Dec 8, 2011), www.clearwellsystems.com/e-discovery-blog/2011/12/08/top-ten-ediscovery-predictions-for-2012/.

³See *Moore v Publicis Groupe SA*, 2012 US Dist LEXIS 23350, at *7, n 2 (SDNY Feb 14, 2012).

⁴See, e.g., Andrew Peck, *Search, Forward, L. Tech News* (Oct 2011), www.law.com/jsp/lawtechnologynews/PubArticleLTN.jsp?id=1202516530534 (registration required to access).

⁵See Andrew Peck, n 4 *supra*.

⁶See *id.*

⁷See *id.*

⁸See *id.*

⁹See *id.*

¹⁰2012 US Dist LEXIS 23350, *3-4, n 1 (SDNY Feb 14, 2012).

¹¹See *Moore*, n 3 *supra*, at *9.

¹²See *Moore*, n 3 *supra*, at *9-11.

¹³See *Moore*, n 3 *supra*, at *16-17.

¹⁴See *id.*

¹⁵See *id.*

¹⁶See *id.*

¹⁷See *Moore*, n 3 *supra*, at *17-18.

¹⁸See *id.*

¹⁹See *id.*

²⁰See *Moore*, n 3 *supra*, at *24-26.

²¹See *Moore*, n 3 *supra*, at *20-24.

²²See *Moore*, n 3 *supra*, at *3 & 27.

²³See *Moore*, n 3 *supra*, at *27.

²⁴See *Moore*, n 3 *supra*, at *28-34.

²⁵See *Moore*, n 3 *supra*, at *34-35.

²⁶See *Moore*, n 3 *supra*, at *36-37.

²⁷See *Moore*, n 3 *supra*, at *39-40.

²⁸See *Moore*, n 3 *supra*, at *39.

²⁹See *Moore v Publicis Groupe SA*, 2012 US Dist LEXIS 58742 (SDNY Apr 26, 2012).

³⁰See Order Approving The Use Of Predictive Coding For Discovery, (Va Cir Loudon County Apr 23, 2012), Case No CL 61040.

³¹See Memorandum In Support Of Motion For Protective Order Approving The Use Of Predictive Coding, (Va Cir Loudon County Apr 9, 2012), Case No CL 61040.

³²See Memorandum, n 31 *supra*.

FEDERALLY SPEAKING

Using Statute of Limitations as a Defense to Federal Cable and Satellite Piracy Claims

By Benjamin Stewart and Jeff Whitfield

Hundreds of small business owners are sued each year in federal court under Sections 553 and 605 of the Federal Communications Act (FCA) for cable and satellite piracy. The claims are typically based on allegations that a restaurant or bar illegally decrypted and transmitted a pay-per-view event—like a boxing match or Ultimate Fighting Championship—to its patrons. The claims can be difficult to defend against because Sections 553 and 605 provide for strict liability and vicarious liability. Thus, if an employee illegally displayed the event without the small business owner's knowledge, the owner can still be held liable. Consequently, the strongest defense to these claims is an affirmative defense that precludes liability even if the allegations are true—like the statute of limitations defense.

Even though FCA piracy claims are common, defendants can use statute of limitations as an affirmative defense because the appropriate statute of limitations remains unsettled in many jurisdictions. Uncertainty regarding the appropriate limitations period stems from the fact that the FCA does not supply a statute of limitations for claims under Sections 553 and 605. The lack of a limitations period was common in federal law before Congress enacted a catch-all limitations period that applies to all federal laws enacted after Dec. 1, 1990 that do not specifically provide for a different limitations period. The Supreme Court has, therefore, established “longstanding” and “settled” rules for determining the correct statute of limitations for such laws. *North Star Steel Co. v. Thomas*, 515 U.S. 29, 34 (1995).

The first step a court must take to determine the appropriate statute of limitations is to identify the state law in the state where the court resides that is “most closely analogous to the federal act” at issue. *Id.* Generally, courts then apply the statute of limitations from that state law to the federal claims. *Id.* The Supreme Court has, however, “recognized ‘a closely circumscribed ... [and] narrow exception to the general rule.’” *Id.* This narrow exception applies only if two factors are satisfied: “[1] when a rule from elsewhere in federal law clearly provides a closer analogy than available state statutes, and [2] when the federal policies at stake and the practicalities of litigation make that rule a significantly more appropriate vehicle for interstitial lawmaking.” *Id.* at 35 (emphasis added and internal quotation marks omitted). The Third, Fifth, and Ninth Circuits have all applied this two-factor test to Sections 553 and/or 605 to deter-

mine whether the narrow exception applies, but they have not all reached the same conclusion.

In 2001, the Fifth Circuit was the first to address which statute of limitations applies to claims under Sections 553 and 605. See *Prostar v. Massachi*, 239 F.3d 669 (5th Cir. 2001). In *Prostar*, the Court examined Louisiana law and found that the narrow exception identified by the Supreme Court applied. Specifically, the Fifth Circuit held that (a) the Louisiana law that provided the closest analogy to the anti-piracy provisions in the FCA was the tort of conversion, (b) applying Louisiana’s statute of limitations “would undermine the implementation of the FCA,” and (c) the federal Copyright Act “provide[d] a ‘closer fit’ to the federal laws at issue than the tort of conversion. *Id.* at 675-77. With respect to the second issue, the Fifth Circuit stated that applying the appropriate statute of limitations from state law “in each of the fifty states would result in widely varying limitations periods,” thereby inhibiting plaintiffs “in their efforts to investigate and pursue cable piracy.” *Id.* at 676. By contrast, the Court explained that “[a] single federal standard would eliminate these practical difficulties, facilitating resolution of the national problems addressed by the FCA.” *Id.* at 677. Accordingly, the Fifth Circuit applied the three-year statute of limitations from the Copyright Act to claims under Sections 553 and 605. *Id.*

A few years after the Fifth Circuit decided *Prostar*, the Third Circuit addressed the same issue but with Pennsylvania supplying the state law for comparison. See *KingVision Pay-Per-View, Corp., Ltd. v. 898 Belmont, Inc.*, 366 F.3d 217 (3d Cir. 2004). The Third Circuit reached the opposite conclusion from the Fifth Circuit and held that it was obliged to apply a two-year Pennsylvania statute of limitations to the claims. See *Id.* at 225. Two factors were critical to the Third Circuit’s decision: first, the Court disagreed with the Fifth Circuit’s determination that applying a state statute of limitations would undermine the implementation or frustrate the purpose of the FCA, *Id.* at 224-225; and second, the Pennsylvania statute was specifically “crafted to deter cable piracy” and, therefore, was a closer analogue to the FCA than the federal Copyright Act, *Id.* at 223.

In 2008, the Ninth Circuit concurred with the Third Circuit. See *DirecTV, Inc. v. Webb*, 545 F.3d 837 (9th Cir. 2008). The state law at issue in *DirecTV* was the California Piracy Act, which the Court concluded was more closely analogous to Section 605 than the federal Wiretap Act. See *Id.* at 852. In making this determination, the Ninth Circuit noted that the California law and Section 605 both “recognize the property interest inherent in satellite broadcast transmissions and treat

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unauthorized receipt of television signals as theft” and “prohibit the manufacture, modification, and distribution of decryption devices.” *See Id.* at 848. In addition, the Ninth Circuit—like the Third Circuit—disagreed with the Fifth Circuit’s determination that concerns regarding uniformity and geographic character were significant enough that applying states’ statutes of limitations would undermine the implementation of the FCA. *See Id.* at 850-51. Thus, the Ninth Circuit applied California’s one-year statute of limitations to Section 605.

Because courts must determine the applicable statute of limitations for FCA piracy claims by analyzing the laws available in each state, the limitations period remains unsettled in many states even within the Third, Fifth, and Ninth Circuits. Even so, plaintiffs make assumptions about which statute of limitations applies to their claims. And those assumptions create an opportunity for defendants to use statute of limitations as an affirmative defense.

For example, plaintiffs in federal cable and satellite piracy cases in Texas generally wait three full years to file their claims because that is the limitations period the Fifth Circuit applied when it examined Louisiana law in *Prostar*. Because the small business owners facing piracy allegations often lack the resources to properly defend against the claims, plaintiffs have faced little challenge from defendants on statute of limitations grounds. But recently, defendants in Texas have begun challenging plaintiffs’ assumption that a three-year statute of limitations applies and demanding that courts examine Texas law to determine whether the Texas Theft Liability Act and other state laws provide a closer analogy to Sections 553 and 605 than the Copyright Act.

Plaintiffs in these cases contend that the *Prostar* decision prohibits Texas federal courts from considering whether state law provides a better fit for Sections 553 and 605 than the Copyright Act. They argue that the Fifth Circuit’s determination that applying a state’s statute of limitations would undermine implementation of the FCA is dispositive.

Defendants counter that the Supreme Court has explicitly rejected the plaintiffs’ argument, explaining that “even where geographic considerations counsel federal borrowing, the aforementioned presumption of state borrowing requires that a court determine that an analogous federal source truly affords a ‘closer fit’ with the cause of action at issue than does any available state-law source.” *Lampf, Pleva, Lipkind, Prupis & Petigrow v. Gilbertson*, 501 U.S. 350, 357 (1991) (emphasis added). As the Ninth Circuit explained in *DirecTV*, “The Supreme Court directs that where a suitable state counterpart exists, it is ‘simply beside the point that even a perfectly good federal analogue [also] exists.’” 545 F.3d at 849 (brackets in original).

Defendants also note that the *Prostar* decision itself requires district courts in the Fifth Circuit to consider whether available state law is a closer fit to Sections 553 and 605 than the Copyright Act. See 239 F.3d at 672-73. Indeed, in *Prostar* the Fifth Circuit examined both factors required by the Supreme Court in *North Star* to ensure that the narrow exception allowing use of a federal limitations period applied to cases filed in Louisiana. *Id.* at 676-77. In doing so, the Court determined that “the Copyright Act provides a ‘closer fit’ to the FCA than Louisiana conversion law after it determined that applica-

tion of a Louisiana statute of limitations would “undermine the implementation of the FCA”—a step that would have been unnecessary if the Court’s determination that geographic considerations warranted applying a federal statute of limitations was dispositive. *Id.*

At this point, no federal district court has examined whether *Prostar* requires analysis of Texas law and application of a Texas statute of limitations, but motions to dismiss based on the statute of limitations defense are pending in multiple Texas federal courts. In support of their motions, the defendants point to a decision from a Texas appellate court holding that the Texas Theft Liability Act is more analogous to FCA piracy claims than the Copyright Act. *See J&J Sports Prods., Inc. v. JWJ Mgmt., Inc.*, 324 S.W.3d 823 (Tex. App.—Fort Worth 2010, no pet.). In that case, the Texas court noted that the Texas Theft Liability Act—like laws in Pennsylvania and California—“parallels the federal cable piracy statutory scheme.” *Id.* at 830-31. Thus, the law is designed to fight cable and satellite piracy and provides a closer fit to Sections 553 and 605 than the federal Copyright Act. Texas federal courts are, therefore, obliged to apply Texas’s two-year statute of limitations.

The same arguments that Texas defendants are raising can be advanced in federal courts in other states where the limitations period for FCA piracy claims remains uncertain. Defense counsel in those states should carefully consider whether an affirmative defense based on statute of limitations is viable; it is likely the best defense available to counter the threat of strict liability under the federal cable and satellite piracy laws. **SB**

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APPROACHING THE BENCH

Settlement Conferences, a View from the Bench By Hon. Michelle H. Burns and Wade VanSickle

In the District of Arizona, as in many other federal judicial districts, magistrate judges conduct settlement conferences in both civil and criminal cases. Because Rule 11(c)(1), Fed.R.Crim.P. substantially curtails the “court” from participating in criminal case plea discussions¹, the criminal settlement conference, although they take place at the courthouse, often proceed without the participation of the magistrate judge. The magistrate judge may on occasion be called upon to take the bench and permit the parties to make a record before the court. Thus, the bulk of the time magistrate judges spend on settlement conferences occurs in civil cases. Typically, the presiding judge will suggest during the Rule 16 Scheduling Conference that the parties consider a settlement conference before a magistrate judge. If both parties express interest, and a belief that there is a reasonable prospect of settlement, the matter will be referred for assignment to a magistrate judge. Also, parties in a pending civil case can file a joint pleading with the presiding judge requesting that the case be referred for a settlement conference.

Gathering the Participant

Once the case is assigned, the magistrate judge will typically enter a settlement conference order. The order is intended to not only ensure that the parties and their attorneys appear at the conference, but perhaps most importantly, that the individual in a position to approve the financial settlement, including non-monetary terms, is present. Sometimes an attorney will file a request to excuse that person from the settlement conference, and be available telephonically. I believe that it is unwise, in general, to grant such a request. First, it leaves the impression that one party is not fully committed to the settlement process, and second, a remote appearance interferes with the full engagement of that person with everyone else who is participating. Being on the other end of a phone line simply doesn't translate well into emotional involvement in the process.

Ensuring Preparation

Also in the settlement conference order, the parties are directed to exchange settlement conference memoranda, with each other and the court, that gives the court an overview of the facts, procedural history, and predominant legal issues of the case, and details any settlement negotiations that have taken place. They are also directed to exchange settlement offers just before the conference and report on that exchange in their memoranda. Although it is important to present enough information in the memorandum to put the judge in the best possible position to guide the case to settlement, it is equally important not to present too much information. For instance, rather than attaching a lengthy order from the case, counsel should summarize it in the memorandum: rather than attach transcripts, include pertinent excerpts in the memorandum. These practice pointers may seem obvious, but it is surprising how often they

are not followed. It is also important for the attorneys to make sure that their clients WANT to settle their case. A party may be too feeling too “righteous” to meaningfully participate in the process. The attorney may need to “sand down” the client’s ego. There is simply not enough time during a settlement conference for the mediator to proceed by baby steps with a party who is simply too emotional to rationally discuss the case. Finally, I encourage the attorneys to contact my chambers and schedule a telephone conference in advance of the settlement conference to discuss anticipated problems, or if either side believes that there is no reasonable prospect of settlement.

The Process

Once everyone has arrived at the conference, they are gathered in the courtroom for a brief “opening” session. After introductions are made, I then explain the process (I utilize, primarily, the separate caucuses method), discuss confidentiality,² and emphasize the application of ethical rules. I also discuss the importance of being open and that, although I will be going back and forth between the parties trying to create momentum, this is not a process designed to “manipulate” the parties into a settlement, but is simply a tried and true practice. I also emphasize that the parties should not try to manipulate the process by making artificially high or low settlement offers, and try to impress upon them that doing so simply creates psychological barriers to settlement. Finally, I give the parties a chance to bring up while we are all together any questions or last minute concerns.

Sealing the Deal

Once settlement is reached on the essential terms, it is especially important to memorialize it in some fashion. Sometime the parties will want to put the settlement on the record. If they want the settlement to be confidential, however, that is not an option, since I will not order the hearing sealed unless the parties can set forth a satisfactory basis for the request.³ Whether the settlement is put on the record, or reduced to writing, it is important to ensure that the parties have entered into the agreement with full knowledge and understanding of its terms. It is also important to ensure that they are doing so voluntarily. Sometimes settlement occurs at the very end of the day and there is a rush to finalize. Settlements may be undone if coercion is employed in the process.⁴ Finally, on occasion, the agreement will require that some act be done in the future (for instance, structured payments). The parties will then, typically, designate

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Hon. Michelle H. Burns is currently a U.S. magistrate judge in Phoenix, Ariz., appointed to the bench on Mar. 1, 2007. Previously, she worked in the U.S. Attorney's office, white collar crime unit, and before that spent 11 years in private practice. She started out her legal career as a county public defender.

in the settlement agreement who will preside over the conflict in the event of noncompliance (sometimes the parties will stipulate that I will retain jurisdiction to determine a breach), and if there is a need to litigate a breach of the agreement, which party will be assessed the costs and fees associated with enforcing the settlement.

In conclusion, this orderly and professional settlement process is designed to facilitate a foolproof settlement for those parties who come to my court ready and willing to get it done. **SB**

Endnotes

¹See, *United States v. Gonzales-Melchor*, 648 F.3d 959 (9th Cir. 2011).

²For exceptions to the confidentiality of communications, see Rule 408, Fed.R.Evid.

³*In re Copley Press, Inc. v Higuera-Guerrero*, 518 F.3d 1022 (9th Cir. 2008).

⁴See, *Kothe v. Smith*, 771 F.2d 667 (2nd Cir. 1985) (collecting cases).

Tenth Circuit Jurisdictional Considerations In Personal Injury Cases

By Kevin J. Simon

Assume for a moment that your client has been served with a significant personal injury complaint and needs your legal expertise and guidance. Alternatively, assume for a moment that your client has been injured, wants to file suit, and likewise needs some direction. If the hypothetical complaint exclusively pleads claims of ordinary and gross negligence (or close relatives thereof), as is often the case, you should consider a couple key issues that may be outcome determinative. First, is the ordinary negligence claim susceptible to an enforceable pre-injury release agreement? If it is, move on to consideration number two. Is there diversity of citizenship enabling the defendant to remove to federal court if the plaintiff files in Utah state court? These two considerations very well may determine whether or not you go to trial as the Tenth Circuit made abundantly clear in *Robert J. Milne, et al. v. USA Cycling, et al.*, 575 F.3d 1120 (10th Cir. 2009).

The Milne case, filed in the Federal District Court for the District of Utah under diversity jurisdiction, involved a bicycle race called the “Tour of Canyonlands” where multiple racers collided with an on-coming SUV and trailer. One racer died and another was seriously injured. As is often the case with serious injuries, a lawsuit followed and the plaintiffs made claims for ordinary and gross negligence. The parties ultimately agreed that a pre-injury release agreement signed by plaintiffs precluded plaintiffs’ ordinary negligence claim, but not their gross negligence claim. The parties diverged, however, with respect to whether plaintiffs offered evidence sufficient for a jury to conclude that defendants acted grossly negligent. In other words, could the federal district court determine, as a matter of law, that defendants did not act grossly negligent, which is defined as “fail[ing] to observe even slight care” and “carelessness or recklessness to a degree that shows utter indifference to the consequences that may result.”¹

The federal district court found in favor of defendants and granted summary judgment, resulting in a Tenth Circuit appeal. In the intervening time period between the federal district court’s summary judgment ruling (June 2007) and the Tenth Circuit’s ruling on plaintiffs’ appeal (2009), the Utah Supreme Court issued two opinions reversing state trial court dismissals of gross negligence claims on summary judgment—*Berry v. Greater Park City Company, et al.*, 171 P.3d 442 (Utah 2007) and *Pearce*

v. *Utah Athletic Foundation, et al.*, 179 P.3d 760 (Utah 2008).

Although a seemingly ominous sign of things to come for the successful defendants in Milne, one non-substantive difference ultimately protected the Milne trial court decision from the intervening Utah Supreme Court opinions. At first blush, one might conclude that the Tenth Circuit’s consideration of a “gross negligence” claim would be governed by Utah law, thereby requiring application of *Berry* and *Pearce*, but that would only be partially correct. Yes, “gross negligence” is, of course, defined by Utah law, but federal law dictates the summary judgment standard. While normally this would be inconsequential since Utah closely follows Federal Rule of Civil Procedure 56, it made all the difference in Milne.

This is because Utah maintains a “special rule for summary judgment in negligence cases,” prohibiting a party from obtaining summary judgment “where the standard of care applicable to that dispute has not been ‘fixed by law.’” “Fixed by law” according to the Utah Supreme Court generally means that “a statute or judicial precedent must articulate ‘specific standards’ applicable to the relevant circumstances. This “special” Utah rule, which only applies on summary judgment, is considered procedural by the Tenth Circuit and differs “significantly from federal law” where no such rule exists.²

In fact, the reasons that save plaintiffs from summary judgment under Utah’s “special” rule (i.e. no evidence of a ‘fixed’ standard of care) are the very same reasons federal courts sometimes dismiss plaintiffs’ claims.³

In affirming the federal district court’s dismissal of plaintiffs’ gross negligence claims, the Tenth Circuit correctly likened Milne to the circumstances in another Tenth Circuit appeal, *Foster v. Alliedsignal, Inc.*, 293 F.3d 1187 (10th Cir. 2002). In *Foster*, a retaliatory discharge case brought pursuant to Kansas law, the plaintiff tried to avoid summary judgment by applying Kansas summary judgment standards. Under Kansas law, a plaintiff must prove retaliatory discharge by “clear and convincing evidence” to prevail at trial, but can pretend essentially that a “preponderance of the evidence” standard exists for purposes of opposing summary judgment. Just as the Tenth Circuit rejected application of Kansas summary judgment standards in *Foster*, so too did it resist similar attempts to apply Utah’s “unique” summary judgment standards in Milne.⁴

While certainly not encouraging forum shopping unrestrained by credible domicile arguments, the Tenth Circuit’s

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Milne opinion should cause litigants to pause and consider what jurisdiction best suits their client. When, like in Milne, a valid pre-injury release exists precluding ordinary negligence claims and all that remains is a gross negligence claim, where you litigate very well may dramatically change the case's dynamic and outcome. For defendants in this context, federal court may be the difference between continued litigation with an uncertain outcome and a definitive, sustainable pre-trial victory. For plaintiffs in this context, federal court may be the difference between staying above water long enough to reach trial or settlement and completely wasted efforts. **SB**

Endnotes

¹See *Moon Lake Elec. Ass'n, Inc. v. Ultrasystems W. Constructors, Inc.*, 767 P.2d 125, 129 (Utah App. 1988) (quoting *Atkin Wright & Miles v. Mountain States Tel. & Tel. Co.*, 709 P.2d 330, 335 (Utah 1985)).

²See, e.g., 10A Charles Alan Wright, Arthur R. Miller, and Mary Kay Kane, *Federal Practice and Procedure* §2712 (3d ed.

1998) ("In diversity-of-citizenship actions questions relating to the availability of summary judgment, such as whether there is a disputed issue of fact that is sufficient to defeat the motion, are procedural and therefore governed by Rule 56, rather than by state law")

³See, e.g., *Briggs v. Washington Metro. Area Transit Auth.*, 481 F.3d 839, 841, 375 U.S. App. D.C. 343 (D.C. Cir. 2007) (affirming grant of summary judgment for defendants on a negligence claim where plaintiff, who under state law had the burden to provide expert testimony on the standard of care, failed to "offer creditable evidence sufficient to establish a controlling standard of care"); *Keller v. Albright*, 1 F. Supp. 2d 1279, 1281-82 (D. Utah 1997) (granting defendant's motion for summary judgment on plaintiff's legal malpractice claim asserted under Utah law because the plaintiff failed to provide expert testimony regarding the standard of care, and the case did not involve circumstances "within the common knowledge and experience of lay jurors").

⁴Milne, 575 F.3d at 1129.

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³³See Order, n 30 *supra*.

³⁴See, e.g., Andrew Peck, n 4 *supra* (providing insights on what constitutes a "defensible" use of predictive coding); Mark Michels, *Predictive Coding: Reading the Judicial Tea Leaves*, L Tech News, (Oct 17, 2011), www.law.com/jsp/lawtechnologynews/PubArticleLTN.jsp?id=1202518919552&slreturn=1 (directs reader to LexisNexis to access article) (providing important insights on how to defend the use of predictive coding).

³⁵See Moore, n 3 *supra*, at *35-36.

³⁶See *Argus and Assoc, Inc v Prof'l Benefits Serv, Inc*, 2009 US Dist LEXIS 39437 (ED Mich May 8, 2009) (noting the requirement in Rule 26(f) to include electronic discovery issues in the discovery plan and admonishing parties for their failure to live up to the requirements of the rule, but refusing to impose sanctions for failure to meet disclosure deadline when both parties bore some responsibility for failure).

³⁷See MCR 2.401(B)(1)(d) & (B)(2)(c).

³⁸See B Yelton III and D Bargy, *Michigan's New Discovery Rules: Early Involvement Can Reduce Risks and Costs of E-Discovery*, THE LITIGATION NEWSLETTER (State Bar of Michigan), Spring 2009, pp 7-11, www.michbar.org/litigation/pdfs/spring09.pdf.

³⁹See Andrew Peck, n 4 *supra*.

⁴⁰See Andrew Peck, n 4 *supra*; *Predictive Coding = Great E-Discovery Cost and Time Savings*, The Metropolitan Corporate Counsel (Nov 16, 2011), http://www.epiqsystems.com/uploaded-Files/Epiq_in_the_News/MCC_Baker_Laing.pdf.

⁴¹See Moore, n 3 *supra*, at *36-37.

⁴²See *id.*

⁴³Epiq Systems Inc., www.epiqsystems.com.

⁴⁴Xpriori LLC, xpriori.com/.

⁴⁵Oratec LLC, orcatec.com/.

⁴⁶Recommind Inc., www.recommind.com/solutions/overview.

⁴⁷The vendors identified here do not reflect the authors' endorsement of any particular vendor. Rather, they are merely some examples of vendors offering such services.

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