

IN THE UNITED STATES DISTRICT COURT
 SOUTHERN DISTRICT OF TEXAS
 HOUSTON DIVISION

United States District Court
 Southern District of Texas
 FILED

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 COURTS
 SOUTHERN DISTRICT
 OF TEXAS

BC JUL 2 2004

 In re ENRON CORPORATION §
 SECURITIES, DERIVATIVE §
 & "ERISA" LITIGATION §
 _____ §
 MARK NEWBY, ET AL., §
 Plaintiffs, §
 v. §
 ENRON CORPORATION, ET AL., §
 Defendants. §

Michael N. Milby, Clerk

MDL 1446
 and Consolidated, Related Cases
 and Coordinated Cases
 Civil Action No.: H-01-3624
 and Consolidated, Related Cases
 and Coordinated Cases

**THIRD-PARTY BLOCKBUSTER INC.'S RESPONSE TO CERTAIN
 OFFICER DEFENDANTS' MOTION TO COMPEL THIRD-PARTY
 BLOCKBUSTER, INC. TO RESPOND TO SUBPOENA DUCES TECUM**

Since Officer Defendants filed their Motion to Compel much has changed; Blockbuster has produced several thousand pages of responsive materials. Blockbuster should not be compelled to produce additional documents because the information sought is not sufficiently relevant to justify the burden on Blockbuster, as a *third-party*. Additionally, the subpoena is overbroad; not sufficiently narrow in time; requests internal documents never seen by Officer Defendants that cannot be the basis of their statements; seeks production of material having no relevance to this litigation; and unduly burdens Blockbuster. Accordingly, Blockbuster should not be compelled to comply with the subpoena's unreasonable terms.

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I. Introduction and Factual Background

Officer Defendants have served third-party Blockbuster with a Subpoena Duces Tecum in connection with the Enron Securities Litigation. (*See* Subpoena Duces Tecum Ex: 1.) The subpoena requested documents and information related to the Video On Demand (“VOD”) joint venture entered into between Enron Broadband Services, Inc. (“EBS”) and Blockbuster in 2000. (*Id.*) Officer Defendants subsequently agreed to an extension of time for production and narrowed the scope of the subpoena to four of the original twenty requests; numbers two, three, four, and ten.

On May 6, 2004, Blockbuster produced responsive documents consistent with the terms of the parties’ negotiations. Officer Defendants complained that Blockbuster’s production was insufficient and threatened to file a motion to compel if Blockbuster did not immediately supplement its production. Despite Blockbuster’s attempts to discuss the substance of its production and scope and nature of the categories of documents requested, Officer Defendants filed their Motion to Compel with the Court on May 7, 2004. (*See* Motion to Compel Ex: 2.) On May 13, 2004, Blockbuster, after conferring with Officer Defendants’ counsel, agreed to produce additional documents. On May 24, 2004, without waiving the prior limits to which Officer Defendants had previously agreed, Blockbuster produced approximately 8000 pages of documents it had identified in its Dallas office that were generally responsive to the subpoena. Blockbuster made that production with the hope and belief that it would bring the dispute over the subpoena to an end.

Blockbuster recently discovered, however, additional materials in the possession of an outside law firm that may relate to Blockbuster’s VOD project. Blockbuster has requested that

the Officer Defendants agree to additional time to respond to the subpoena/Motion to Compel so that the parties can attempt to come to agreement on any additional production, but Officer Defendants have not agreed. Accordingly, Blockbuster files this response and requests the Court to deny the Motion to Compel or, in the alternative, greatly limit the scope and substance of the subpoena.

II. Argument

Officer Defendants, among others, stand accused, *inter alia*, of intentionally making fraudulent and misleading statements to investors regarding the viability of VOD in an effort to artificially inflate the value of Enron's stock. (Motion to Compel Ex: 2, at p. 3.) Officer Defendants' subpoena greatly exceeds this proscribed scope and attempts to impose an undue burden on Blockbuster by requiring the company to collect and produce documents and information that are of questionable relevance - such as Blockbuster materials that were never even seen by Officer Defendants and therefore could not have been the basis of any statements made by Officer Defendants. Blockbuster has attempted to comply with the terms of the subpoena, but the subpoena is drastically overbroad and would place an undue burden on third-party Blockbuster.

As a beginning point, the Court should limit Blockbuster's response to Officer Defendants' subpoena to the four categories of documents, request nos. 2, 3, 4, and 10, originally negotiated by the parties. Moreover, Blockbuster should not be required to respond to the other requests because, as the following discussion establishes, those requests are flawed.

A. Officer Defendants Subpoena Amounts To An Impermissible Fishing Expedition.

The scope of Defendants' subpoena is too broad and, in turn, requires Blockbuster to produce information that is not relevant to whether Officer Defendants made fraudulent and misleading statements regarding the VOD joint venture. The Federal Rules of Civil Procedure only permit discovery about matters that are relevant to a claim or defense or that are reasonably calculated to lead to the discovery of admissible evidence. *See Fed. R. Civ. P. 26(b)(1)*. Requested information is not relevant, however, if the inquiry is based on the party's mere suspicion or speculation. *See Micro Motion, Inc. v. Kane Steel Co., Inc.*, 894 F.2d 1318, 1326 (Fed. Cir. 1990). Accordingly, a person from whom discovery is sought should not be required to respond to inquiries that are nothing more than "fishing expeditions" designed to troll for support for a party's suspicions. *See Id.* at 1327 (plaintiff in patent infringement lawsuit not entitled to discovery from non-party regarding its products where plaintiff's stated need for information was based on speculation and was not relevant to issued in lawsuit); *see also Paul Kadair, Inc. v. Sony Corp. of America*, 694 F.2d 1017, 1032 (5th Cir. 1983) (district court properly refused to allow plaintiff "to go fishing" with the hope of fortuitously discovering evidence in support of alleged conspiracy); *Hofer v. Mack Trucks, Inc.*, 981 F.2d 377, 380 (8th Cir. 1992) (plaintiff not entitled to discovery regarding prior vehicle designs where stated need for discovery was completely unsupported).

As demonstrated below, many of the Officer Defendants' requests have no apparent nexus to Blockbuster's narrow connection to this lawsuit.

B. The Overall Scope Of Officer Defendants' Subpoena Is Too Broad.

Officer Defendants' subpoena is not sufficiently narrow in time and it therefore seeks materials that have no relevance to whether Officer Defendants made fraudulent and misleading statements related to VOD. Indeed, Officer Defendants have simply started with an arbitrary date of January 1, 1997, for *all* of their requests. Indeed, although many of Officer Defendants' requests reference specific dates, none mentions a date prior to the month in which the VOD master agreement was executed. (*See* Subpoena Duces Tecum, Ex: 1.) Blockbuster and EBS entered into the VOD Master Agreement in April 2000. On February 26, 2001, EBS terminated the VOD joint venture. Blockbuster does not see, and Officer Defendants have failed to explain, how documents created so far outside of this time frame have any relevance to the allegations made against Officer Defendants. Therefore, to the extent Blockbuster is required to produce additional documents, it should only be required to produce documents and materials that were created in the time period between April 2000 and February 2001.

C. Blockbuster's Internal Documents Are Irrelevant.

Documents that were wholly internal to Blockbuster are not, by definition, relevant to what Officer Defendants' knew and said regarding the VOD joint venture. All of Officer Defendants' requests are defective to the extent they seek internal documents. In their Motion to Compel, Officer Defendants make much ado of Blockbuster's failure to produce internal documents. (Motion to Compel Ex: 2, at p. 3.) Specifically, Officer Defendants contend that Blockbuster should be compelled to produce "email communications, internal memoranda, handwritten notes, internal meeting agendas, or other similar internal documents . . ." (*Id.* at p.

4.) Officer Defendants also contend that Blockbuster is obligated to produce similar internal documents regarding the negotiation and execution of various agreements. (*Id.*) The Motion to Compel, however, is completely devoid of any explanation as to the relevance of internally created and distributed materials.

D. Parties To This Lawsuit, Enron And The Former Officers And Employees Of EBS, Are Most Likely In Possession Of Responsive Documents.

Officer Defendants devote much of their subpoena to requesting documents that were exchanged between Blockbuster and EBS and/or documents and agreements that both Blockbuster and EBS were parties too. For example, request nos. 15, 17, 18, and 19, specifically, are widely drawn requests for all documents exchanged between employees of Blockbuster and employees of EBS, and request nos. 1, 4, 11, 12, 13, and 20, seek all documents related to agreements or other joint action that involved both Blockbuster and EBS. Blockbuster, unlike various officers and employees of EBS, is not a party to this lawsuit. As a non-party, Blockbuster should not be burdened with document requests and other discovery that can, in all probability, be obtained from a party. This is especially so since the materials sought are largely from a disbanded business unit, making collection and retrieval all the more difficult. The Blockbuster entity primarily involved in the VOD joint venture was dissolved shortly after the termination of the VOD agreement and many of the relevant employees no longer work for Blockbuster.

E. Officer Defendants Specific Requests Are Flawed In A Number Of Respects.

Many of Officer Defendants' requests are defective because, in part, they seek information that has no relevance to the allegations made against Officer Defendants. Other

requests are so vague and overbroad that, even if they did seek relevant materials, compliance places an undue burden on Blockbuster. Therefore, Blockbuster asks the Court to deny Officer Defendants' Motion to Compel or, at a minimum, significantly narrow the scope and substance of the subpoena. Indeed, despite the generally problematic nature of Officer Defendants' subpoena, certain requests warrant specific and detailed discussion.

1. Requests For "All" Documents "Related To" Broad Topics Are Inappropriate.

Request Nos. 1 and 4: Request nos. 1 and 4 seek information related to the VOD master agreement and the subsequent amendment to the master agreement. These requests are overbroad in that they request, in essence, *all* documents related, in any manner, to both the master agreement and the amendment to the master agreement, without regard for any connection to the allegedly fraudulent and misleading statements made by Officer Defendants. Blockbuster has already produced key documents that are directly responsive to these requests, such as the Master Agreement, the amendment to the Master Agreement, internal drafts of the agreements and other notes and communications. The request for "all" documents possibly related to this topic is overly broad and compliance would pose an unnecessary burden on Blockbuster.

Request No. 5: Request no. 5 is related to the proposed or actual digital content of VOD. To date, Blockbuster has produced many pages of documents related to its efforts to explore and secure digital rights to content for distribution through the VOD joint venture. Blockbuster has produced agreements with various movie studios and other distributors. Additionally, Blockbuster has produced communications between itself and movie studios and distributors

reflecting Blockbuster's efforts to secure the digital rights to film content. Blockbuster also has produced a number of internal documents related to content. Blockbuster has made a reasonable, and sufficient, effort to provide Officer Defendants with responsive documents. Particularly given the amount of responsive material already provided to Officer Defendants, the request for "all documents related" to this topic is overly broad.

2. *Requests For Materials Not Related To Officer Defendants Are Too Far Afield.*

Request Nos. 6-10: Request nos. 6-10 are overbroad because they request vast categories of documents related to publicity, marketing and promotion of VOD without regard to whether there is any connection between the requested documents and the alleged fraudulent and misleading statements made by Officer Defendants. Blockbuster has already produced press releases that were issued both individually by the company and jointly with EBS. Furthermore, Blockbuster has provided Officer Defendants with a number of documents related to marketing and marketing strategy, including but not limited to, regional marketing studies, analyses and internal communications, and other miscellaneous documents related to Blockbuster's efforts to successfully market VOD. To the extent Officer Defendants seek materials provided to Blockbuster by EBS, it is more appropriate to seek these documents from Enron and the former officers and employees of EBS, parties to this litigation, than from a third-party, such as Blockbuster. The fact that responsive documents may be available from an alternative and more appropriate source mitigates against requiring Blockbuster to expend resources to comply with these requests. Additionally, Officer Defendants have failed to establish that these requests seek materials that are relevant to whether they made fraudulent and misleading statements to investors.

3. *Requests For "All" documents "Related To" Any Aspect Of Blockbuster's Interaction With RBOCs And Distributors Are Far Too Broad In Scope To Result In The Production Of Relevant Documents.*

Request Nos. 11-13: Request nos. 11, 12 and 13 are overbroad because they seek categories of documents related to Blockbuster's relationship, whether actual or potential, with RBOCs, last-mile providers and/or other broadband distributors that have no bearing on the allegations that Officer Defendants made fraudulent and misleading statements regarding VOD. Blockbuster has provided key materials responsive to these requests. Blockbuster has produced agreements, and drafts of agreements, related to its effort to negotiate relationships with these entities. Yet, the subpoena purportedly calls for more - again, "all documents related to." Moreover, all three of these requests seek, in part, documents related to relationships that involved EBS. Therefore, these documents are most likely in the possession of Enron and the former officers and employees of EBS and, as parties to this lawsuit, they are a more appropriate source of responsive material.

Whether these requests seek relevant information is difficult to ascertain given their degree of overbreadth. Given the limited relevance of the full scope of documents sought in request nos. 12 and 13, the burden on Blockbuster cannot be justified.

4. *Requests For "All" documents "Related To" The Termination Of The VOD Agreement Are Irrelevant To The Allegation Against Officer Defendants.*

Request No. 15: The Motion to Compel on request no. 15 should be denied because Blockbuster has already produced the key documents related to the termination of the VOD joint venture. Any additional documents related to the termination of the VOD joint venture are of little, if any, relevance to the Officer Defendants' alleged fraudulent and misleading statements

to investors. The limited relevance of the materials does not justify the burden on Blockbuster of producing additional documents. Moreover, the most important documents for Officer Defendants related to the termination of the VOD joint venture are likely to be obtained from Enron and the former officers and employees of EBS, given that EBS was the party that made the decision to terminate the relationship with Blockbuster.

5. *Documents Related Prior Lawsuits Or Investigations Are Irrelevant.*

Request Nos. 16 and 20: Documents related to prior investigations and/or lawsuits involving Blockbuster are irrelevant to whether Officer Defendants made fraudulent and misleading statements regarding VOD. These are classic “fishing expedition” requests. Officer Defendants cannot make clear how any of these documents relate to the allegations against Officer Defendants. Both requests require Blockbuster to unnecessarily expend resources producing documents and information that are, at best, of questionable relevance. The requests appear to serve as “catch-all” tools of discovery served only for the purpose of requesting any documents, regardless of relevance, that Officer Defendants have failed to request with reasonable particularity. These requests are overbroad and unduly burdensome and Blockbuster should not be required to comply with such defective requests.

6. *Requests For “All” Documents “Related To” Meetings And Communications Between Blockbuster Are Irrelevant And Can Be Obtained From A More Appropriate Source that Blockbuster, A Third-Party.*

Request Nos. 17, 18, and 19: Officer Defendants seek documents and information related to meetings and communications between Blockbuster employees and EBS employees. There is no indication that any of this material is relevant to whether, and to what extent, Enron

misrepresented the viability of the VOD joint venture. These requests are overbroad to the extent they request *all* documents related to *any* meeting or communication without any regard for whether the requested materials pertain to Officer Defendants' avowed purpose of the subpoena. Production of such documents can hardly be justified when it is so uncertain that they will lead to the collection and production of relevant materials.

III. Conclusion

Blockbuster shares Officer Defendants' desire for a complete and timely resolution to the current dispute. Blockbuster should not, however, be required to respond to a subpoena that suffers from facial and substantive defects. Blockbuster has already provided a significant response to Officer Defendants' subpoena. Given the limited significance of many categories, the overbreadth of the requests and Blockbuster's tangential relevance to this matter, Blockbuster asks the Court to deny Officer Defendants' Motion to Compel.

Dated: July 2, 2004

Respectfully submitted,

B. Daryl Bristow

B. Daryl Bristow
State Bar No. 03020000
BAKER BOTTS, L.L.P.
910 Louisiana, Suite 3000
Houston TX 77002
Phone 713.229.1234
Fax 713.229.1522

Timothy S. Durst
State Bar No. 00786924
Marc D. McPeak
State Bar No. 24039050
BAKER BOTTS L.L.P.
2001 Ross Avenue
Dallas, Texas 75201
(214) 953-6500
(214) 953-6503 (Facsimile)

ATTORNEYS FOR BLOCKBUSTER, INC.

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of July, 2004, a true and correct copy of the foregoing was served by facsimile upon counsel for Officer Defendants Richard B. Buy, Steven J. Kean, Jeffrey McMahon, Mark A. Frevert, Mark E. Koenig, Cindy Olson, and Lawrence G. Whalley.

Michael B. Bennett

Michael B. Bennett



UNITED STATES DISTRICT COURT
Northern District of Texas
Dallas Division

In re ENRON CORPORATION SECURITIES
LITIGATION

Pending in the United States District Court for the Southern
District of Texas Houston Division
CIVIL ACTION NUMBER: H-01-3624
(Consolidated)

This Document Relates to All Actions

SUBPOENA DUCES TECUM
IN A CIVIL CASE

TO: Custodian of Records, Blockbuster, Inc., 1201 Elm Street, Dallas, TX 75270

YOU ARE COMMANDED to appear in the United States District Court at the place, date, and time specified below to testify in the above case.

PLACE OF TESTIMONY	COURTROOM
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YOU ARE COMMANDED to appear at the place, date, and time specified below to testify at the taking of a deposition in the above case.

PLACE OF DEPOSITION	DATE AND TIME
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YOU ARE COMMANDED to produce and permit inspection and copying of the following documents or objects at the place, date, and time specified below (list documents or objects):

SEE ATTACHMENT A

PLACE: Nickens Keeton Lawless Farrell & Flack LLP 600 Travis Street, Suite 7500 Houston, TX 77002	DATE AND TIME by January 17, 2003 9 a.m.
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YOU ARE COMMANDED to permit inspection of the following premises at the date and time specified below.

PREMISES	DATE AND TIME
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Any organization not a party to this suit that is subpoenaed for the taking of a deposition shall designate one or more officers, directors, or managing agents, or other persons who consent to testify on its behalf, and may set forth, for each person designated, the matters on which the person will testify. Federal Rules of Civil Procedure 30(b)(6).

ISSUING OFFICER SIGNATURE AND TITLE (INDICATE IF ATTORNEY FOR PLAINTIFF OR DEFENDANT) <i>Virginia M. Swindell</i> Attorney for Officer Defendants Buy, Causey, Kean, McMahon, Frevert, Hannon/Hirko, Koenig, Olson and Whalley	DATE December 19, 2003
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ISSUING OFFICER'S NAME, ADDRESS AND PHONE NUMBER Virginia Swindell, Texas Bar No. 00794711 Nickens Keeton Lawless Farrell & Flack LLP 600 Travis Street, Suite 7500 Houston, TX 77002 Telephone: (713) 353-6687	
---	--

PROOF OF SERVICE

DATE

PLACE

SERVED

SERVED ON (PRINT NAME)

MANNER OF SERVICE

SERVED BY (PRINT NAME)

TITLE

DECLARATION OF SERVER

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Proof of Service is true and correct.

Executed on _____
DATE

SIGNATURE OF SERVER

ADDRESS OF SERVER

Rule 45, Federal Rules of Civil Procedure, Parts C & D:

(c) PROTECTION OF PERSONS SUBJECT TO SUBPOENAS.

(1) A party or an attorney responsible for the issuance and service of a subpoena shall take reasonable steps to avoid imposing undue burden or expense on a person subject to that subpoena. The suit on behalf of which the subpoena was issued shall enforce this duty and impose upon the party or attorney in breach of this duty an appropriate sanction, which may include, but is not limited to, lost earnings and a reasonable attorney's fee.

(2)(A) A person commanded to produce and permit inspection and copying of designated books, papers, documents or tangible things, or inspection of premises need not appear in person at the place of production or inspection unless commanded to appear for deposition, hearing or trial.

(B) Subject to paragraph (d)(2) of this rule, a person commanded to produce and permit inspection and copying may, within 14 days after service of the subpoena or before the time specified for compliance if such time is less than 14 days after service, serve upon the party or attorney designated in the subpoena written objection to inspection or copying of any or all of the designated materials or of the premises. If objection is made, the party serving the subpoena shall not be entitled to inspect and copy the materials or inspect the premises except pursuant to an order of the court by which the subpoena was issued. If objection has been made, the party serving the subpoena may, upon notice to the person commanded to produce, move at any time for an order to compel the production. Such an order to compel production shall protect any person who is not a party or an officer of a party from significant expense resulting from the inspection and copying commanded.

(3)(A) On timely motion, the court by which a subpoena was issued shall quash or modify the subpoena if it

(i) fails to allow reasonable time for compliance;

(ii) requires a person who is not a party or an officer of a party to travel to a place more than 100 miles from the place where that person resides, is employed or regularly transacts business in person, except that, subject to the provisions of clause (c)(3)(B)(iii) of this rule, such a person may in order to attend trial be commanded to travel from any such place within the state in which the trial is held, or

(iii) requires disclosure of privileged or other protected matter and no exception or waiver applies, or

(iv) subjects a person to undue burden.

(B) If a subpoena

(i) requires disclosure of a trade secret or other confidential research, development, or commercial information, or

(ii) requires disclosure of an unretained expert's opinion or information not describing specific events or occurrences in dispute and resulting from the expert's study made not at the request of any party, or

(iii) requires a person who is not a party or an officer of a party to incur substantial expense to travel more than 100 miles to attend trial, the court may, to protect a person subject to or affected by the subpoena, quash or modify the subpoena or, if the party in whose behalf the subpoena is issued shows a substantial need for the testimony or material that cannot be otherwise met without undue hardship and assures that the person to whom the subpoena is addressed will be reasonably compensated, the court may order appearances or production only upon specified conditions.

(d) DUTIES IN RESPONDING TO SUBPOENA.

(1) A person responding to a subpoena to produce documents shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the demand.

(2) When information subject to a subpoena is withheld on a claim that it is privileged or subject to protection as trial preparation materials, the claim shall be made expressly and shall be supported by a description of the nature of the documents, communications, or things not produced that is sufficient to enable the demanding party to contest the claim.

ATTACHMENT A

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

I. INSTRUCTIONS

1. This subpoena requires that you produce to the parties all documents described herein at the time and place specified.

2. Documents to be produced include all documents in your possession, custody or control, wherever located. Without limitation on the term "control" a document is deemed to be in your control if you have the right to secure that document or a copy thereof from another person.

3. All documents that respond, in whole or in part, to any part or clause or any paragraph of this subpoena shall be produced in their entirety, including all attachments to documents called for by this subpoena shall be produced, even if they are not otherwise responsive to this subpoena. Documents shall be produced in the order and in the file folders in which they appear in your files and shall not be shuffled or otherwise rearranged. Documents that in their original condition were stapled, clipped or otherwise fastened together shall be produced in such form.

4. Any document demanded by the subpoena that is withheld on a claim of privilege must be preserved. If the document contains privileged material, the entire document shall be produced with the privileged portion deleted. For any document or any portion of a document withheld under a claim of privilege, a privilege log shall be submitted in which you identify the document by author(s), addressee(s), date, number of pages, current location, and subject matter; the nature and basis of the claimed privilege and the paragraph of this subpoena to which the document is responsive shall be specified; and each person to whom the document or its contents, or any part thereof, was disclosed shall be specified.

5. If any of the requested documents have been destroyed in any manner, identify each document by its author, date, recipients and subject mater, and provide a date and description of the manner in which it was destroyed.

6. These requests are continuing in nature, and supplementation of responses is requested for any new documents found, recovered, developed or coming into your actual or constructive possession, custody or control from the date of the request until the end of trial.

7. No agreement purporting to modify, limit or otherwise vary this subpoena shall be valid or binding unless confirmed or acknowledged in writing.

II. DEFINITIONS

1. "And" and "or" as used herein are terms of inclusion and not of exclusion, and shall

be construed either disjunctively or conjunctively as necessary to bring within the scope of this schedule any document or information that might otherwise be construed to be outside its scope.

2. "Document" means any written, recorded or graphic material of any kind that is in your possession, custody or control. The term includes, but is not limited to: contracts; agreements; letters; telegrams; interoffice communications; memoranda; notes; reports; analyses; notebooks; surveys; lists; outlines; schedules; pamphlets; newsletters; flyers; charts; tabulations; compilations; studies; books; records; telephone books or messages; visitor books; calendar or diary entries; desk or appointment calendars; drafts; business cards; minutes or meetings or conferences; notes or memos or other records of telephone or other conversations or communications; electronic mail transmissions; ledgers; financial statements; bills or invoices; purchase orders; receipts; photostats; microfilm; microfiche; audio and video tapes or disc recordings; and computer printouts. It also includes electronically stored data from which information can be obtained either directly or by translation through detection devices or readers. Any such document is to be produced in reasonably usable form, along with instructions for reading the data. The term "document" includes the original (or a copy thereof if the original is not available) and all copies that differ in any respect from the original or that bear any notation, marking or information not on the original.

3. "Person" means any natural person, corporation, firm, company, sole proprietorship, partnership, joint venture, association, institute or other business or legal entity, and includes any affiliate, parent or subsidiary.

4. "Company," "Corporation," and "Entity" include any corporation, firm, company, sole proprietorship, partnership, joint venture, association, institute or other business or legal entity, and includes any affiliate, parent or subsidiary. "Your company" includes but is not limited to any other business entities related by common ownership, common management, common directors, common officers or by other means.

5. "Relating to" means constituting, analyzing, describing, discussing, reporting on, commenting on, inquiring about, setting forth, explaining, considering, pertaining to, mentioning, regarding, alluding to or concerning, in whole or in part.

6. The singular form of a noun or pronoun shall be considered to include within its meaning the plural form of the noun or pronoun, and vice versa.

7. "EBS" refers to Enron Broadband Services and its predecessor, Enron Communications, Inc.

8. "BBF" and "Blockbuster" refer to Blockbuster, Inc.

III. DOCUMENTS TO BE PRODUCED

Any and all documents that describe, refer to or relate to the following matters, for the period January 1, 1997 to the present:

1. All documents relating to the negotiation, due diligence, execution, performance, assignment, modification or termination of any proposed or actual agreements, contracts and/or marketing arrangements between BBI and EBS to provide Video-on-Demand ("VOD") service to customers of Regional Bell Operating Companies and their affiliates ("RBOCS"), including but not limited to the agreement signed on April 20, 2000 (hereafter "VOD Agreement").

2. All documents relating to BBI's evaluation of the capabilities and/or potential applications of EBS's hardware, software or network capabilities for streaming VOD to customers, including, but not limited to, all demonstrations of or representations about EBS's technology and capabilities to stream VOD.

3. All presentations, technical documents, white papers or other documents that were presented or exchanged at any meetings between representatives of Blockbuster and EBS.

4. All documents relating to the negotiation and execution of the modification of the VOD Agreement in December of 2000.

5. All documents relating to the negotiation, due diligence, execution, performance, assignment, modification or termination of any proposed or actual agreements, contracts and/or marketing arrangements for rights to film content sought or obtained by BBI relevant to the VOD Agreement.

6. All publicity, promotional, marketing or other documents that relate to or describe the VOD Agreement, any other agreements between Blockbuster and EBS, or any agreements for digital rights to film content sought or obtained by Blockbuster, including all drafts of such press releases and any information provided by EBS relating to such press releases. This request includes, but is not limited to:

7. The joint press release issued on or about July 19, 2000;

8. Any publicity documents relating to the modification of the VOD Agreement;

9. Any publicity documents relating to the termination of the VOD Agreement;

10. All press releases issued by Blockbuster that mention EBS.

11. All documents relating to the BBI's participation in efforts to negotiate agreements with RBOCs and EBS to provide VOD services to customers of RBOCS and their affiliates.

12. All documents relating to the negotiation, due diligence, execution, performance, assignment, modification or termination of any proposed or actual agreements, contracts and/or marketing arrangements between and among BBI and SBC (Southwestern Bell) or EBS and SBC, relevant to the VOD Agreement, including, but not limited to, the agreement described in

the July 19, 2000 joint press release.

13. All documents relating to the negotiation, due diligence, execution, performance, assignment, modification or termination of any proposed or actual agreements, contracts and/or marketing arrangements between and among BBI and Covad, Inc., or EBS and Covad, Inc., relevant to the VOD Agreement, including, but not limited to, the agreements described in the July 19, 2000 joint press release.

14. All documents relating to the potential or actual demonstration of the VOD technology to any potential or actual customers, vendors or other third parties, including, but not limited to:

a) the Airswitch "friends and family" demonstration scheduled to launch on or about November 6, 2000, in America Fork, Utah;

b) the Airswitch market trial scheduled to launch on or about December 15, 2000, in America Fork, Utah;

c) the demonstration of streaming VOD to the Airswitch customer site in America Fork, Utah, on or about September 22, 2000;

d) Any demonstration of streaming VOD involving SBC, Verizon or any other RBOC or RBOC affiliate.

15. All documents relating to the termination of the VOD Agreement in February and March of 2001, including, but not limited to:

a) Any contacts with EBS prior to termination relating to extension or modification of the VOD Agreement;

b) Letter of Kenneth D. Rice dated February 26, 2001, terminating the BBI/EBS Agreement;

c) Letter of John Antiocos dated March 8, 2001, responding to the Rice letter of termination.

16. All documents relating to any litigation, arbitration or mediation relating to the termination of the VOD Agreement.

17. All e-mails, memoranda, correspondence, calendar entries, expense reports or other records relating to or reflecting any meetings or contacts between EBS or EBS representatives and any current or former BBI officers or employees, including, but not limited to the following:

John Antiocos

Mark Gilman

18. All e-mails, memoranda, correspondence, calendar entries and expense reports relating to EBS or meetings between EBS and BBI located in the files of those current or former BBI employees who were principally responsible for developing or maintaining the relationship between BBI and EBS.

19. All e-mails, memoranda, correspondence, calendar entries, expense reports or other records relating to or reflecting any meetings or contacts between any current or former BBI employees and any of the following current or former EBS employees:

Jeff Skilling

Kenneth Rice

Kevin Hannon

Joseph Hirko

Rich DiMichele

David Cox

Ed Smida

Frank Bay

Barry Pierce

Jim Fallon

John Howard

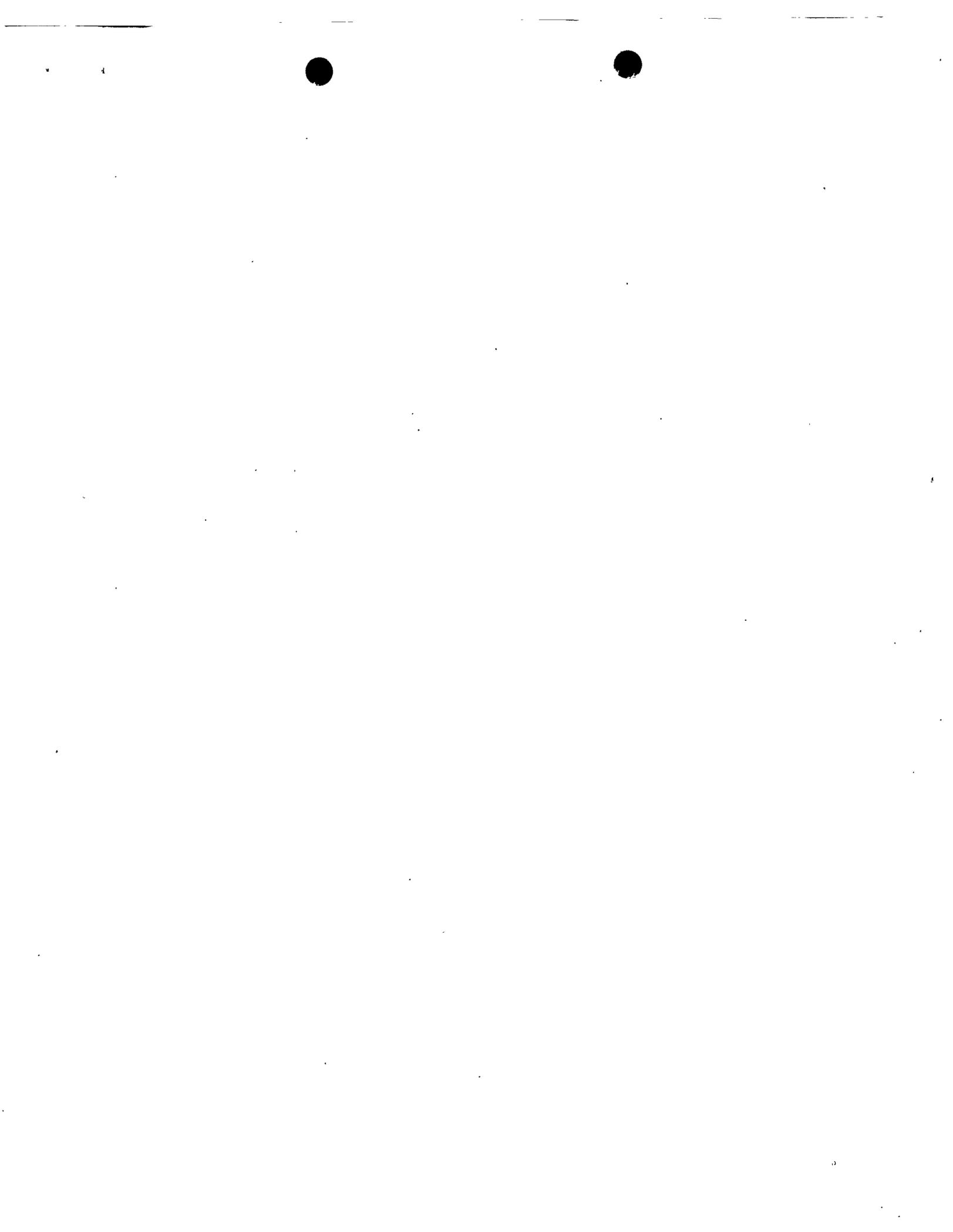
April Hodgson

Gil Melman

Rex Rogers

Mark Hensel

20. All documents produced by BBI to any private plaintiff, state or federal governmental entity or any other party pursuant to any actual or contemplated legal proceeding relating to EBS.



IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re ENRON CORPORATION §
SECURITIES, DERIVATIVE §
& "ERISA" LITIGATION §

MARK NEWBY, ET AL., §

Plaintiffs, §

v. §

ENRON CORPORATION, ET AL., §

Defendants. §

MDL 1446
and Consolidated, Related
and Coordinated Cases

Civil Action no: H-01-3624
and Consolidated, Related Cases
and Coordinated Cases

MOTION OF CERTAIN OFFICER DEFENDANTS
TO COMPEL THIRD-PARTY BLOCKBUSTER, INC. TO RESPOND
TO SUBPOENA DUCES TECUM

Defendants Richard B. Buy, Steven J. Kean, Jeffrey McMahon, Mark A. Frevert, Mark E. Koenig, Cindy Olson, and Lawrence G. Whalley, (collectively "Officer Defendants") respectfully submit this Motion to Compel Third Party Blockbuster, Inc. to Respond to a Subpoena Duces Tecum. In further support of this Motion, the Officer Defendants respectfully show the Court the following:

I. Introduction

This motion concerns a third-party subpoena served in the Enron Securities Litigation (the "Litigation"). Several of the individual defendants in this case are former officers of Enron Broadband Services, Inc. ("EBS"), a subsidiary of Enron Corporation. On or about December 19,

2003, the Officer Defendants served the Custodian of Records of Blockbuster, Inc., who is not a party to the Litigation, with a subpoena duces tecum pursuant to Rule 45 of the Federal Rules of Civil Procedure. Generally, the subpoena sought documents related to EBS's and Blockbuster's former contractual relationship involving the creation and marketing of a service known as "Video-on-Demand." See Subpoena to Blockbuster, attached as Ex. A. As set forth below, allegations related to this contractual relationship are central to the litigation. The subpoena commanded that documents be produced on or before January 17, 2003. Soon after service of the subpoena, counsel for the Officer Defendants and counsel for Blockbuster entered discussions regarding the scope and timing of Blockbuster's response to the subpoena.¹ Blockbuster requested additional time to gather responsive documents, and asked the Officer Defendants to narrow the scope of the documents requested. The Officer Defendants agreed to grant Blockbuster additional time, ultimately setting a final response deadline of April 28, 2004, and agreed to limit the scope of Blockbuster's initial response to only four of the twenty categories of documents requested in the subpoena, reserving the right to seek additional documents if the initial response was inadequate.

On May 6, 2004, Blockbuster delivered a woefully inadequate response, even considering the narrowed scope of the subpoena, as set forth in more detail below. With depositions in this matter scheduled to start June 2, 2004, the Officer Defendants have no choice but to request that this Court compel Blockbuster to produce all documents responsive to the subpoena.

¹ On January 16, 2004, Blockbuster filed a Motion to Quash Third-Party Subpoena Duces Tecum in the Northern District of Texas, the court from which the subpoena had issued. The Officer Defendants did not respond to the Motion to Quash as the parties were already engaged in discussions and expected to quickly reach an agreement regarding the timing and scope of Blockbuster's response to the subpoena. On April 5, 2004, Blockbuster's counsel notified the Court that it was withdrawing its Motion to Quash without prejudice, subject to the parties' expected agreement on a scope of and procedure for production.

II. Argument

Rule 45 of the Federal Rules of Civil Procedure provides that a party to litigation may serve a subpoena on a non-party commanding that person to produce and/or permit inspection of documents. Fed. R. Civ. P. 45(a)(1)(C). The permissible scope of a Rule 45 subpoena is the same as the scope of discovery under Rule 26(b)(1):

Parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party Relevant information need not be admissible at trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence.

Fed. R. Civ. P. 26(b)(1); *Williams v. City of Dallas*, 178 F.R.D. 103, 110 (N.D. Tex. 1998). The documents requested by the Officer Defendants in the subpoena to Blockbuster fall well within the permissible scope of discovery. Plaintiffs in this extremely complex, multi-district litigation, have alleged, among many other things, that EBS, as well as its former officers, made fraudulent or misleading statements to investors regarding the viability of Video-on-Demand and EBS's related business and profit potential. Blockbuster's documents regarding Blockbuster's and EBS's joint efforts to develop Video-on-Demand service and their relationship under the Video-On-Demand agreement are essential to rebutting Plaintiffs' allegations regarding EBS. Accordingly, the Officer Defendants are clearly entitled to the documents requested in the subpoena.

Blockbuster's minimal response, nearly four months after the original return date on the subpoena, is woefully inadequate. Blockbuster produced a mere 650 pages, over 200 pages of which consists of outside telecommunication industry reports not directly related to the relationship between Blockbuster and EBS. Many of the documents produced by Blockbuster are PowerPoint presentations and other reports that were jointly prepared by EBS and Blockbuster. Entirely absent from the production are *any* internal documents regarding Blockbuster's perspective on its

relationship with EBS and the viability of Video-on-Demand— no email communications, internal memoranda, handwritten notes, internal meeting agendas, or other similar internal documents have been produced. Blockbuster failed to produce correspondence between Blockbuster officers and employees and EBS officers and employees during the course of the contractual relationship. Although Blockbuster did produce the Video-on Demand Agreement between Blockbuster and EBS and the Amendment to that agreement, it failed to produce any drafts of either the agreement or the amendment, or any correspondence, internal or with EBS, regarding the negotiation of the terms of the agreement or the amendment. Similarly, Blockbuster did not produce any documents related to agreements with Regional Bell Operating Companies (“RBOCs”), last-mile providers or other broadband distributors. These companies streamed content provided by Blockbuster as part of the Video-on-Demand trials jointly undertaken by Blockbuster and EBS. The success or failure of these trials is of course essential to a determination of the viability of Video-on-Demand. In sum, Blockbuster failed to produce even a reasonable portion of the documents commanded to be produced under the subpoena.

“Failure by any person without adequate excuse to obey a subpoena served upon that person may be deemed a contempt of the court from which the subpoena issued.” Fed. R. Civ. P. 45(e).² Although Blockbuster agreed to abide by an April 28, 2004 deadline for production, it has continually dragged its feet and produced only a few documents over a week past that deadline. The Officer Defendants agreed that Blockbuster’s initial response could be limited to only four of the

² Although Rule 45(e) provides that the court from which the subpoena issued must enforce it, several cases have held that, in multi-district litigation, under 28 U.S.C. §1407, the judge appointed to preside over the MDL should hear such motions. *See United States v. Diabetes Treatment Ctrs.*, 238 F. Supp. 2d 270, 275 (D. D.C. 2002); *In re Sunrise Sec. Litig.*, 130 F.R.D. 560, 586 (E. D.Pa. 1989).

twenty categories of documents listed in the subpoena, fully expecting to review that initial production much earlier than May 6th and to be able to seek further discovery if necessary. The documents produced by Blockbuster on May 6th are not even fully responsive to those four categories. Blockbuster's production is too little too late. Over the past four months, the Officer Defendants have attempted to compromise and work with Blockbuster to obtain their needed discovery in a way that limited the burden on this third party. At this late date, however, the Officer Defendants must demand that Blockbuster fully comply with the subpoena as the law requires.

Blockbuster has no reasonable excuse for its failure to comply with the subpoena. Blockbuster's continual delays have caused great prejudice to the Officer Defendants, whose counsel needs to review the Blockbuster documents in preparation for an intensive deposition schedule beginning June 2, 2004. Accordingly, the Officer Defendants ask this Court to enter an order compelling Blockbuster to produce all documents responsive to the subpoena without further delay, no later than May 21, 2004. Should Blockbuster continue to delay even after this Court compels production, the Officer Defendants would ask the Court to hold Blockbuster in contempt, in accordance with Rule 45(e). *See Painewebber, Inc. v. Acstar Ins. Co.*, 211 F.R.D. 247, 249 (S.D.N.Y. 2002).

III. Conclusion

For the above reasons, the Officer Defendants respectfully request that the Court enter an order compelling Blockbuster, Inc. to comply with and respond to the subpoena without further delay, no later than May 21, 2004.

Respectfully submitted,

Jacks C. Nickens / JMS

Jacks C. Nickens
State Bar No. 15013800
600 Travis, Suite 7500
Houston, Texas 77002
(713) 571-9191 (phone)
(713) 571-9652 (fax)

ATTORNEY IN CHARGE FOR
OFFICER DEFENDANTS

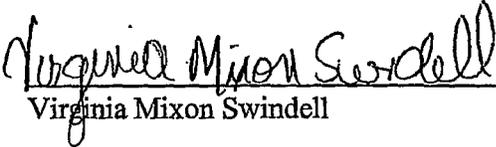
OF COUNSEL:

NICKENS, KEETON, LAWLESS,
FARRELL & FLACK, L.L.P.

Paul D. Flack
State Bar No. 00786930
Joanna V. Hamrick
State Bar No. 03003200
Virginia M. Swindell
State Bar No. 00794711
600 Travis, Suite 7500
Houston, Texas 77002
(713) 571-9191
(713) 571-9652 (fax)

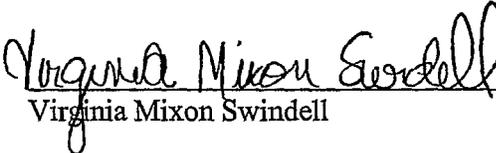
CERTIFICATE OF CONFERENCE

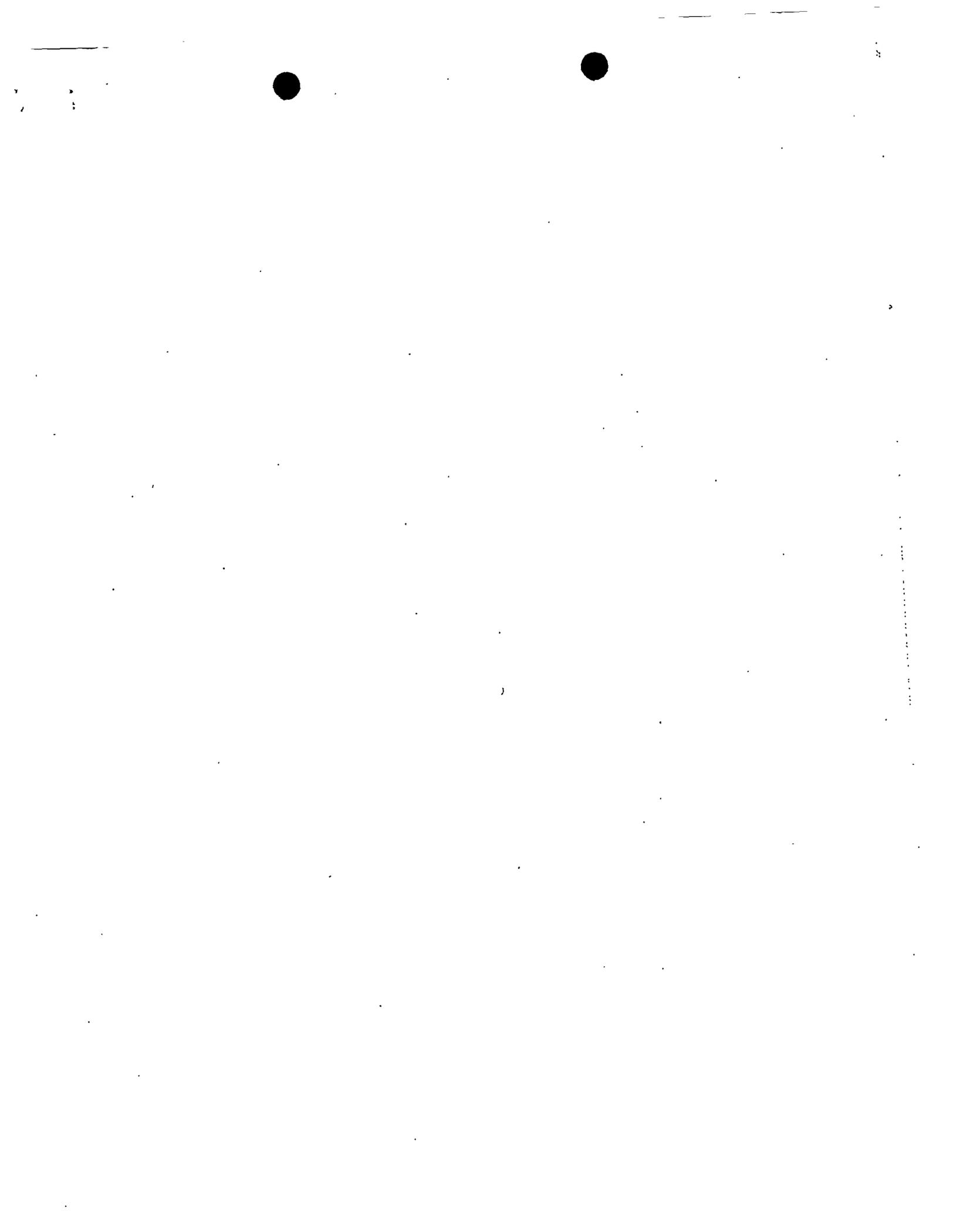
The undersigned certifies that counsel for the movants has conferred with Blockbuster, Inc. regarding the subject matter of this motion and that counsel cannot agree about the disposition of the motion.


Virginia Mixon Swindell

CERTIFICATE OF SERVICE

The undersigned certifies that on this 7th day of May, 2004, a true and correct copy of the foregoing document was served by mail on counsel for Blockbuster, Inc., and on all counsel of record in the Enron Securities Litigation by posting said document in .PDF format to the <http://www.es13624.com> website.


Virginia Mixon Swindell



**UNITED STATES DISTRICT COURT
Northern District of Texas
Dallas Division**

**In re ENRON CORPORATION SECURITIES
LITIGATION**

Pending in the United States District Court for the Southern
District of Texas Houston Division
CIVIL ACTION NUMBER: H-01-3624
(Consolidated)

This Document Relates to All Actions

**SUBPOENA DUCES TECUM
IN A CIVIL CASE**

TO: Custodian of Records, Blockbuster, Inc., 1201 Elm Street, Dallas, TX 75270

YOU ARE COMMANDED to appear in the United States District Court at the place, date, and time specified below to testify in the above case.

PLACE OF TESTIMONY	COURTROOM
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YOU ARE COMMANDED to appear at the place, date, and time specified below to testify at the taking of a deposition in the above case.

PLACE OF DEPOSITION	DATE AND TIME
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YOU ARE COMMANDED to produce and permit inspection and copying of the following documents or objects at the place, date, and time specified below (list documents or objects):

SEE ATTACHMENT A

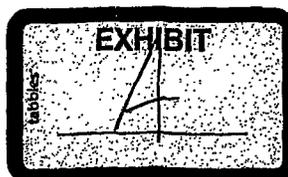
PLACE: Nickens Keeton Lawless Farrell & Flack LLP 600 Travis Street, Suite 7500 Houston, TX 77002	DATE AND TIME by January 17, 2003 9 a.m.
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YOU ARE COMMANDED to permit inspection of the following premises at the date and time specified below.

PREMISES	DATE AND TIME
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Any organization not a party to this suit that is subpoenaed for the taking of a deposition shall designate one or more officers, directors, or managing agents, or other persons who consent to testify on its behalf, and may set forth, for each person designated, the matters on which the person will testify. Federal Rules of Civil Procedure 30(b)(6).

ISSUING OFFICER SIGNATURE AND TITLE (INDICATE IF ATTORNEY FOR PLAINTIFF OR DEFENDANT) <i>Virginia M. Swindell</i> Attorney for Officer Defendants Buy, Causey, Kean, McMahon, Frevert, Hannon/Hirko, Koenig, Olson and Whalley	DATE December 19, 2003
ISSUING OFFICER'S NAME, ADDRESS AND PHONE NUMBER Virginia Swindell, Texas Bar No. 00794711 Nickens Keeton Lawless Farrell & Flack LLP 600 Travis Street, Suite 7500 Houston, TX 77002 Telephone: (713) 353-6687	



PROOF OF SERVICE

DATE	PLACE
SERVED ON (PRINT NAME)	MANNER OF SERVICE
SERVED BY (PRINT NAME)	TITLE

DECLARATION OF SERVER

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Proof of Service is true and correct.

Executed on _____
DATE

SIGNATURE OF SERVER

ADDRESS OF SERVER

Rule 45, Federal Rules of Civil Procedure, Parts C & D:

(c) PROTECTION OF PERSONS SUBJECT TO SUBPOENAS.

(1) A party or an attorney responsible for the issuance and service of a subpoena shall take reasonable steps to avoid imposing undue burden or expense on a person subject to that subpoena. The party on behalf of which the subpoena was issued shall enforce this duty and impose upon the party or attorney in breach of this duty an appropriate sanction, which may include, but is not limited to, lost earnings and a reasonable attorney's fee.

(2)(A) A person commanded to produce and permit inspection and copying of designated books, papers, documents or tangible things, or inspection of premises need not appear in person at the place of production or inspection unless commanded to appear for deposition, hearing or trial.

(B) Subject to paragraph (d)(2) of this rule, a person commanded to produce and permit inspection and copying may, within 14 days after service of the subpoena or before the time specified for compliance if such time is less than 14 days after service, serve upon the party or attorney designated in the subpoena written objection to inspection or copying of any or all of the designated materials or of the premises. If objection is made, the party serving the subpoena shall not be entitled to inspect and copy the materials or inspect the premises except pursuant to an order of the court by which the subpoena was issued. If objection has been made, the party serving the subpoena may, upon notice to the person commanded to produce, move at any time for an order to compel the production. Such an order to compel production shall protect any person who is not a party or an officer of a party from significant expense resulting from the inspection and copying commanded.

(3)(A) On timely motion, the court by which a subpoena was issued shall quash or modify the subpoena if it

- (i) fails to allow reasonable time for compliance;
- (ii) requires a person who is not a party or an officer of a party to travel to a place more than 100 miles from the place where that person resides, is employed or regularly transacts business in person, except that, subject to the provisions of clause (c)(3)(B)(ii) of this rule, such a person may in order to attend trial be commanded to travel from any such place within the state in which the trial is held, or
- (iii) requires disclosure of privileged or other protected matter and no exception or waiver applies, or
- (iv) subjects a person to undue burden.

(B) If a subpoena

- (i) requires disclosure of a trade secret or other confidential research, development, or commercial information, or
- (ii) requires disclosure of an unretained expert's opinion or information not describing specific events or occurrences in dispute and resulting from the expert's study made not at the request of any party, or
- (iii) requires a person who is not a party or an officer of a party to incur substantial expense to travel more than 100 miles to attend trial, the court may, to protect a person subject to or affected by the subpoena, quash or modify the subpoena or, if the party in whose behalf the subpoena is issued shows a substantial need for the testimony or material that cannot be otherwise met without undue hardship and assures that the person to whom the subpoena is addressed will be reasonably compensated, the court may order appearances or production only upon specified conditions.

(d) DUTIES IN RESPONDING TO SUBPOENA.

(1) A person responding to a subpoena to produce documents shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the demand.

(2) When information subject to a subpoena is withheld on a claim that it is privileged or subject to protection as trial preparation materials, the claim shall be made expressly and shall be supported by a description of the nature of the documents, communications, or things not produced that is sufficient to enable the demanding party to contest the claim.

ATTACHMENT A

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):

I. INSTRUCTIONS

1. This subpoena requires that you produce to the parties all documents described herein at the time and place specified.

2. Documents to be produced include all documents in your possession, custody or control, wherever located. Without limitation on the term "control" a document is deemed to be in your control if you have the right to secure that document or a copy thereof from another person.

3. All documents that respond, in whole or in part, to any part or clause or any paragraph of this subpoena shall be produced in their entirety, including all attachments to documents called for by this subpoena shall be produced, even if they are not otherwise responsive to this subpoena. Documents shall be produced in the order and in the file folders in which they appear in your files and shall not be shuffled or otherwise rearranged. Documents that in their original condition were stapled, clipped or otherwise fastened together shall be produced in such form.

4. Any document demanded by the subpoena that is withheld on a claim of privilege must be preserved. If the document contains privileged material, the entire document shall be produced with the privileged portion deleted. For any document or any portion of a document withheld under a claim of privilege, a privilege log shall be submitted in which you identify the document by author(s), addressee(s), date, number of pages, current location, and subject matter; the nature and basis of the claimed privilege and the paragraph of this subpoena to which the document is responsive shall be specified; and each person to whom the document or its contents, or any part thereof, was disclosed shall be specified.

5. If any of the requested documents have been destroyed in any manner, identify each document by its author, date, recipients and subject mater, and provide a date and description of the manner in which it was destroyed.

6. These requests are continuing in nature, and supplementation of responses is requested for any new documents found, recovered, developed or coming into your actual or constructive possession, custody or control from the date of the request until the end of trial.

7. No agreement purporting to modify, limit or otherwise vary this subpoena shall be valid or binding unless confirmed or acknowledged in writing.

II. DEFINITIONS

1. "And" and "or" as used herein are terms of inclusion and not of exclusion, and shall

be construed either disjunctively or conjunctively as necessary to bring within the scope of this schedule any document or information that might otherwise be construed to be outside its scope.

2. "Document" means any written, recorded or graphic material of any kind that is in your possession, custody or control. The term includes, but is not limited to: contracts; agreements; letters; telegrams; interoffice communications; memoranda; notes; reports; analyses; notebooks; surveys; lists; outlines; schedules; pamphlets; newsletters; flyers; charts; tabulations; compilations; studies; books; records; telephone books or messages; visitor books; calendar or diary entries; desk or appointment calendars; drafts; business cards; minutes or meetings or conferences; notes or memos or other records of telephone or other conversations or communications; electronic mail transmissions; ledgers; financial statements; bills or invoices; purchase orders; receipts; photostats; microfilm; microfiche; audio and video tapes or disc recordings; and computer printouts. It also includes electronically stored data from which information can be obtained either directly or by translation through detection devices or readers. Any such document is to be produced in reasonably usable form, along with instructions for reading the data. The term "document" includes the original (or a copy thereof if the original is not available) and all copies that differ in any respect from the original or that bear any notation, marking or information not on the original.

3. "Person" means any natural person, corporation, firm, company, sole proprietorship, partnership, joint venture, association, institute or other business or legal entity, and includes any affiliate, parent or subsidiary.

4. "Company," "Corporation," and "Entity" include any corporation, firm, company, sole proprietorship, partnership, joint venture, association, institute or other business or legal entity, and includes any affiliate, parent or subsidiary. "Your company" includes but is not limited to any other business entities related by common ownership, common management, common directors, common officers or by other means.

5. "Relating to" means constituting, analyzing, describing, discussing, reporting on, commenting on, inquiring about, setting forth, explaining, considering, pertaining to, mentioning, regarding, alluding to or concerning, in whole or in part.

6. The singular form of a noun or pronoun shall be considered to include within its meaning the plural form of the noun or pronoun, and vice versa.

7. "EBS" refers to Enron Broadband Services and its predecessor, Enron Communications, Inc.

8. "BBI" and "Blockbuster" refer to Blockbuster, Inc.

III. DOCUMENTS TO BE PRODUCED

Any and all documents that describe, refer to or relate to the following matters, for the period January 1, 1997 to the present:

1. All documents relating to the negotiation, due diligence, execution, performance, assignment, modification or termination of any proposed or actual agreements, contracts and/or marketing arrangements between BBI and EBS to provide Video-on-Demand ("VOD") service to customers of Regional Bell Operating Companies and their affiliates ("RBOCS"), including but not limited to the agreement signed on April 20, 2000 (hereafter "VOD Agreement").

2. All documents relating to BBI's evaluation of the capabilities and/or potential applications of EBS's hardware, software or network capabilities for streaming VOD to customers, including, but not limited to, all demonstrations of or representations about EBS's technology and capabilities to stream VOD.

3. All presentations, technical documents, white papers or other documents that were presented or exchanged at any meetings between representatives of Blockbuster and EBS.

4. All documents relating to the negotiation and execution of the modification of the VOD Agreement in December of 2000.

5. All documents relating to the negotiation, due diligence, execution, performance, assignment, modification or termination of any proposed or actual agreements, contracts and/or marketing arrangements for rights to film content sought or obtained by BBI relevant to the VOD Agreement.

6. All publicity, promotional, marketing or other documents that relate to or describe the VOD Agreement, any other agreements between Blockbuster and EBS, or any agreements for digital rights to film content sought or obtained by Blockbuster, including all drafts of such press releases and any information provided by EBS relating to such press releases. This request includes, but is not limited to:

7. The joint press release issued on or about July 19, 2000;

8. Any publicity documents relating to the modification of the VOD Agreement;

9. Any publicity documents relating to the termination of the VOD Agreement;

10. All press releases issued by Blockbuster that mention EBS.

11. All documents relating to the BBI's participation in efforts to negotiate agreements with RBOCs and EBS to provide VOD services to customers of RBOCS and their affiliates.

12. All documents relating to the negotiation, due diligence, execution, performance, assignment, modification or termination of any proposed or actual agreements, contracts and/or marketing arrangements between and among BBI and SBC (Southwestern Bell) or EBS and SBC, relevant to the VOD Agreement, including, but not limited to, the agreement described in

the July 19, 2000 joint press release.

13. All documents relating to the negotiation, due diligence, execution, performance, assignment, modification or termination of any proposed or actual agreements, contracts and/or marketing arrangements between and among BBI and Covad, Inc., or EBS and Covad, Inc., relevant to the VOD Agreement, including, but not limited to, the agreements described in the July 19, 2000 joint press release.

14. All documents relating to the potential or actual demonstration of the VOD technology to any potential or actual customers, vendors or other third parties, including, but not limited to:

a) the Airswitch "friends and family" demonstration scheduled to launch on or about November 6, 2000, in America Fork, Utah;

b) the Airswitch market trial scheduled to launch on or about December 15, 2000, in America Fork, Utah;

c) the demonstration of streaming VOD to the Airswitch customer site in America Fork, Utah, on or about September 22, 2000;

d) Any demonstration of streaming VOD involving SBC, Verizon or any other RBOC or RBOC affiliate.

15. All documents relating to the termination of the VOD Agreement in February and March of 2001, including, but not limited to:

a) Any contacts with EBS prior to termination relating to extension or modification of the VOD Agreement;

b) Letter of Kenneth D. Rice dated February 26, 2001, terminating the BBI/EBS Agreement;

c) Letter of John Antiocos dated March 8, 2001, responding to the Rice letter of termination.

16. All documents relating to any litigation, arbitration or mediation relating to the termination of the VOD Agreement.

17. All e-mails, memoranda, correspondence, calendar entries, expense reports or other records relating to or reflecting any meetings or contacts between EBS or EBS representatives and any current or former BBI officers or employees, including, but not limited to the following:

John Antiocos

Mark Gilman

18. All e-mails, memoranda, correspondence, calendar entries and expense reports relating to EBS or meetings between EBS and BBI located in the files of those current or former BBI employees who were principally responsible for developing or maintaining the relationship between BBI and EBS.

19. All e-mails, memoranda, correspondence, calendar entries, expense reports or other records relating to or reflecting any meetings or contacts between any current or former BBI employees and any of the following current or former EBS employees:

Jeff Skilling

Kenneth Rice

Kevin Hannon

Joseph Hirko

Rich DiMichele

David Cox

Ed Smida

Frank Bay

Barry Pierce

Jim Fallon

John Howard

April Hodgson

Gil Melman

Rex Rogers

Mark Hensel

20. All documents produced by BBI to any private plaintiff, state or federal governmental entity or any other party pursuant to any actual or contemplated legal proceeding relating to EBS.

exercising its discretion the court shall consider whether the intervention will unduly delay or prejudice the adjudication of the rights of the original parties.

(c) **Procedure.** A person desiring to intervene shall serve a motion to intervene upon the parties as provided in Rule 5. The motion shall state the grounds therefor and shall be accompanied by a pleading setting forth the claim or defense for which intervention is sought. The same procedure shall be followed when a statute of the United States gives a right to intervene. When the constitutionality of an act of Congress affecting the public interest is drawn in question in any action in which the United States or an officer, agency, or employee thereof is not a party, the court shall notify the Attorney General of the United States as provided in Title 28, U.S.C. § 2403. When the constitutionality of any statute of a State affecting the public interest is drawn in question in any action in which that State or any agency, officer, or employee thereof is not a party, the court shall notify the attorney general of the State as provided in Title 28, U.S.C. § 2403. A party challenging the constitutionality of legislation should call the attention of the court to its consequential duty, but failure to do so is not a waiver of any constitutional right otherwise timely asserted.

[Amended December 27, 1946, effective March 19, 1948; December 29, 1948, effective October 20, 1949; January 21, 1963, effective July 1, 1963; February 23, 1966, effective July 1, 1966; March 2, 1987, effective August 1, 1987; April 30, 1991, effective December 1, 1991.]

RULE 25. SUBSTITUTION OF PARTIES

(a) Death.

(1) If a party dies and the claim is not thereby extinguished, the court may order substitution of the proper parties. The motion for substitution may be made by any party or by the successors or representatives of the deceased party and, together with the notice of hearing, shall be served on the parties as provided in Rule 5 and upon persons not parties in the manner provided in Rule 4 for the service of a summons, and may be served in any judicial district. Unless the motion for substitution is made not later

than 90 days after the death is suggested upon the record by service of a statement of the fact of the death as provided herein for the service of the motion, the action shall be dismissed as to the deceased party.

(2) In the event of the death of one or more of the plaintiffs or of one or more of the defendants in an action in which the right sought to be enforced survives only to the surviving plaintiffs or only against the surviving defendants, the action does not abate. The death shall be suggested upon the record and the action shall proceed in favor of or against the surviving parties.

(b) **Incompetency.** If a party becomes incompetent, the court upon motion served as provided in subdivision (a) of this rule may allow the action to be continued by or against the party's representative.

(c) **Transfer of Interest.** In case of any transfer of interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party. Service of the motion shall be made as provided in subdivision (a) of this rule.

(d) Public Officers; Death or Separation From Office.

(1) When a public officer is a party to an action in an official capacity and during its pendency dies, resigns, or otherwise ceases to hold office, the action does not abate and the officer's successor is automatically substituted as a party. Proceedings following the substitution shall be in the name of the substituted party, but any misnomer not affecting the substantial rights of the parties shall be disregarded. An order of substitution may be entered at any time, but the omission to enter such an order shall not affect the substitution.

(2) A public officer who sues or is sued in an official capacity may be described as a party by the officer's official title rather than by name; but the court may require the officer's name to be added.

[Amended December 29, 1948, effective October 20, 1949; April 17, 1961, effective July 19, 1961; January 21, 1963, effective July 1, 1963; March 2, 1987, effective August 1, 1987.]

V. DEPOSITIONS AND DISCOVERY

RULE 26. GENERAL PROVISIONS GOVERNING DISCOVERY; DUTY OF DISCLOSURE

(a) Required Disclosures; Methods to Discover Additional Matter.

(1) *Initial Disclosures.* Except in categories of proceedings specified in Rule 26(a)(1)(E), or to the extent

otherwise stipulated or directed by order, a party must, without awaiting a discovery request, provide to other parties:

(A) the name and, if known, the address and telephone number of each individual likely to have discoverable information that the disclosing party may use to support its claims or defenses, unless solely for impeachment, identifying the subjects of the information;

(B) a copy of, or a description by category and location of, all documents, data compilations, and tangible things that are in the possession, custody, or control of the party and that the disclosing party may use to support its claims or defenses, unless solely for impeachment;

(C) a computation of any category of damages claimed by the disclosing party, making available for inspection and copying as under Rule 34 the documents or other evidentiary material, not privileged or protected from disclosure, on which such computation is based, including materials bearing on the nature and extent of injuries suffered; and

(D) for inspection and copying as under Rule 34 any insurance agreement under which any person carrying on an insurance business may be liable to satisfy part or all of a judgment which may be entered in the action or to indemnify or reimburse for payments made to satisfy the judgment.

(E) The following categories of proceedings are exempt from initial disclosure under Rule 26(a)(1):

(i) an action for review on an administrative record;

(ii) a petition for habeas corpus or other proceeding to challenge a criminal conviction or sentence;

(iii) an action brought without counsel by a person in custody of the United States, a state, or a state subdivision;

(iv) an action to enforce or quash an administrative summons or subpoena;

(v) an action by the United States to recover benefit payments;

(vi) an action by the United States to collect on a student loan guaranteed by the United States;

(vii) a proceeding ancillary to proceedings in other courts; and

(viii) an action to enforce an arbitration award.

These disclosures must be made at or within 14 days after the Rule 26(f) conference unless a different time is set by stipulation or court order, or unless a party objects during the conference that initial disclosures are not appropriate in the circumstances of the action and states the objection in the Rule 26(f) discovery plan. In ruling on the objection, the court must determine what disclosures—if any—are to be made, and set the time for disclosure. Any party first served or otherwise joined after the Rule 26(f) conference must make these disclosures within 30 days after being served or joined unless a different time is set by stipulation or court order. A party must make its initial disclosures based on the information then reasonably available to it and is not excused from making its disclosures because it has not fully completed its investigation of the case or because it challenges the

sufficiency of another party's disclosures or because another party has not made its disclosures.

(2) *Disclosure of Expert Testimony.*

(A) In addition to the disclosures required by paragraph (1), a party shall disclose to other parties the identity of any person who may be used at trial to present evidence under Rules 702, 703, or 705 of the Federal Rules of Evidence.

(B) Except as otherwise stipulated or directed by the court, this disclosure shall, with respect to a witness who is retained or specially employed to provide expert testimony in the case or whose duties as an employee of the party regularly involve giving expert testimony, be accompanied by a written report prepared and signed by the witness. The report shall contain a complete statement of all opinions to be expressed and the basis and reasons therefor; the data or other information considered by the witness in forming the opinions; any exhibits to be used as a summary of or support for the opinions; the qualifications of the witness, including a list of all publications authored by the witness within the preceding ten years; the compensation to be paid for the study and testimony; and a listing of any other cases in which the witness has testified as an expert at trial or by deposition within the preceding four years.

(C) These disclosures shall be made at the times and in the sequence directed by the court. In the absence of other directions from the court or stipulation by the parties, the disclosures shall be made at least 90 days before the trial date or the date the case is to be ready for trial or, if the evidence is intended solely to contradict or rebut evidence on the same subject matter identified by another party under paragraph (2)(B), within 30 days after the disclosure made by the other party. The parties shall supplement these disclosures when required under subdivision (e)(1).

(3) *Pretrial Disclosures.* In addition to the disclosures required by Rule 26(a)(1) and (2), a party must provide to other parties and promptly file with the court the following information regarding the evidence that it may present at trial other than solely for impeachment:

(A) the name and, if not previously provided, the address and telephone number of each witness, separately identifying those whom the party expects to present and those whom the party may call if the need arises;

(B) the designation of those witnesses whose testimony is expected to be presented by means of a deposition and, if not taken stenographically, a transcript of the pertinent portions of the deposition testimony; and

(C) an appropriate identification of each document or other exhibit, including summaries of other

evidence, separately identifying those which the party expects to offer and those which the party may offer if the need arises.

Unless otherwise directed by the court, these disclosures must be made at least 30 days before trial. Within 14 days thereafter, unless a different time is specified by the court, a party may serve and promptly file a list disclosing (i) any objections to the use under Rule 32(a) of a deposition designated by another party under Rule 26(a)(3)(B) and (ii) any objection, together with the grounds therefor, that may be made to the admissibility of materials identified under Rule 26(a)(3)(C). Objections not so disclosed, other than objections under Rules 402 and 403 of the Federal Rules of Evidence, are waived unless excused by the court for good cause.

(4) *Form of Disclosures.* Unless the court orders otherwise, all disclosures under Rules 26(a)(1) through (3) must be made in writing, signed, and served.

(5) *Methods to Discover Additional Matter.* Parties may obtain discovery by one or more of the following methods: depositions upon oral examination or written questions; written interrogatories; production of documents or things or permission to enter upon land or other property under Rule 34 or 45(a)(1)(C), for inspection and other purposes; physical and mental examinations; and requests for admission.

(b) *Discovery Scope and Limits.* Unless otherwise limited by order of the court in accordance with these rules, the scope of discovery is as follows:

(1) *In General.* Parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party, including the existence, description, nature, custody, condition, and location of any books, documents, or other tangible things and the identity and location of persons having knowledge of any discoverable matter. For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence. All discovery is subject to the limitations imposed by Rule 26(b)(2)(i), (ii), and (iii).

(2) *Limitations.* By order, the court may alter the limits in these rules on the number of depositions and interrogatories or the length of depositions under Rule 30. By order or local rule, the court may also limit the number of requests under Rule 36. The frequency or extent of use of the discovery methods otherwise permitted under these rules and by any local rule shall be limited by the court if it determines that: (i) the discovery sought is unreasonably cumulative or duplicative, or is obtainable from some other source that is more convenient, less burdensome, or less expensive; (ii) the party seeking discovery has had ample opportunity by discovery in the action to

obtain the information sought; or (iii) the burden or expense of the proposed discovery outweighs its likely benefit, taking into account the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the litigation, and the importance of the proposed discovery in resolving the issues. The court may act upon its own initiative after reasonable notice or pursuant to a motion under Rule 26(c).

(3) *Trial Preparation: Materials.* Subject to the provisions of subdivision (b)(4) of this rule, a party may obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.

A party may obtain without the required showing a statement concerning the action or its subject matter previously made by that party. Upon request, a person not a party may obtain without the required showing a statement concerning the action or its subject matter previously made by that person. If the request is refused, the person may move for a court order. The provisions of Rule 37(a)(4) apply to the award of expenses incurred in relation to the motion. For purposes of this paragraph, a statement previously made is (A) a written statement signed or otherwise adopted or approved by the person making it, or (B) a stenographic, mechanical, electrical, or other recording, or a transcription thereof, which is a substantially verbatim recital of an oral statement by the person making it and contemporaneously recorded.

(4) *Trial Preparation: Experts.*

(A) A party may depose any person who has been identified as an expert whose opinions may be presented at trial. If a report from the expert is required under subdivision (a)(2)(B), the deposition shall not be conducted until after the report is provided.

(B) A party may, through interrogatories or by deposition, discover facts known or opinions held by an expert who has been retained or specially employed by another party in anticipation of litigation or preparation for trial and who is not expected to be called as a witness at trial only as provided in

Rule 35(b) or upon a showing of exceptional circumstances under which it is impracticable for the party seeking discovery to obtain facts or opinions on the same subject by other means.

(C) Unless manifest injustice would result, (i) the court shall require that the party seeking discovery pay the expert a reasonable fee for time spent in responding to discovery under this subdivision; and (ii) with respect to discovery obtained under subdivision (b)(4)(B) of this rule the court shall require the party seeking discovery to pay the other party a fair portion of the fees and expenses reasonably incurred by the latter party in obtaining facts and opinions from the expert.

(5) *Claims of Privilege or Protection of Trial Preparation Materials.* When a party withholds information otherwise discoverable under these rules by claiming that it is privileged or subject to protection as trial preparation material, the party shall make the claim expressly and shall describe the nature of the documents, communications, or things not produced or disclosed in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the applicability of the privilege or protection.

(c) **Protective Orders.** Upon motion by a party or by the person from whom discovery is sought, accompanied by a certification that the movant has in good faith conferred or attempted to confer with other affected parties in an effort to resolve the dispute without court action, and for good cause shown, the court in which the action is pending or alternatively, on matters relating to a deposition, the court in the district where the deposition is to be taken may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following:

- (1) that the disclosure or discovery not be had;
- (2) that the disclosure or discovery may be had only on specified terms and conditions, including a designation of the time or place;
- (3) that the discovery may be had only by a method of discovery other than that selected by the party seeking discovery;
- (4) that certain matters not be inquired into, or that the scope of the disclosure or discovery be limited to certain matters;
- (5) that discovery be conducted with no one present except persons designated by the court;
- (6) that a deposition, after being sealed, be opened only by order of the court;
- (7) that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a designated way; and

(8) that the parties simultaneously file specified documents or information enclosed in sealed envelopes to be opened as directed by the court.

If the motion for a protective order is denied in whole or in part, the court may, on such terms and conditions as are just, order that any party or other person provide or permit discovery. The provisions of Rule 37(a)(4) apply to the award of expenses incurred in relation to the motion.

(d) **Timing and Sequence of Discovery.** Except in categories of proceedings exempted from initial disclosure under Rule 26(a)(1)(E), or when authorized under these rules or by order or agreement of the parties, a party may not seek discovery from any source before the parties have conferred as required by Rule 26(f). Unless the court upon motion, for the convenience of parties and witnesses and in the interests of justice, orders otherwise, methods of discovery may be used in any sequence, and the fact that a party is conducting discovery, whether by deposition or otherwise, does not operate to delay any other party's discovery.

(e) **Supplementation of Disclosures and Responses.** A party who has made a disclosure under subdivision (a) or responded to a request for discovery with a disclosure or response is under a duty to supplement or correct the disclosure or response to include information thereafter acquired if ordered by the court or in the following circumstances:

(1) A party is under a duty to supplement at appropriate intervals its disclosures under subdivision (a) if the party learns that in some material respect the information disclosed is incomplete or incorrect and if the additional or corrective information has not otherwise been made known to the other parties during the discovery process or in writing. With respect to testimony of an expert from whom a report is required under subdivision (a)(2)(B) the duty extends both to information contained in the report and to information provided through a deposition of the expert, and any additions or other changes to this information shall be disclosed by the time the party's disclosures under Rule 26(a)(3) are due.

(2) A party is under a duty seasonably to amend a prior response to an interrogatory, request for production, or request for admission if the party learns that the response is in some material respect incomplete or incorrect and if the additional or corrective information has not otherwise been made known to the other parties during the discovery process or in writing.

(f) **Conference of Parties; Planning for Discovery.** Except in categories of proceedings exempted from initial disclosure under Rule 26(a)(1)(E) or when otherwise ordered, the parties must, as soon as practicable and in any event at least 21 days before a scheduling conference is held or a scheduling order is due under Rule 16(b), confer to consider the nature

and basis of their claims and defenses and the possibilities for a prompt settlement or resolution of the case, to make or arrange for the disclosures required by Rule 26(a)(1), and to develop a proposed discovery plan that indicates the parties' views and proposals concerning:

(1) what changes should be made in the timing, form, or requirement for disclosures under Rule 26(a), including a statement as to when disclosures under Rule 26(a)(1) were made or will be made;

(2) the subjects on which discovery may be needed, when discovery should be completed, and whether discovery should be conducted in phases or be limited to or focused upon particular issues;

(3) what changes should be made in the limitations on discovery imposed under these rules or by local rule, and what other limitations should be imposed; and

(4) any other orders that should be entered by the court under Rule 26(c) or under Rule 16(b) and (c).

The attorneys of record and all unrepresented parties that have appeared in the case are jointly responsible for arranging the conference, for attempting in good faith to agree on the proposed discovery plan, and for submitting to the court within 14 days after the conference a written report outlining the plan. A court may order that the parties or attorneys attend the conference in person. If necessary to comply with its expedited schedule for Rule 16(b) conferences, a court may by local rule (i) require that the conference between the parties occur fewer than 21 days before the scheduling conference is held or a scheduling order is due under Rule 16(b), and (ii) require that the written report outlining the discovery plan be filed fewer than 14 days after the conference between the parties, or excuse the parties from submitting a written report and permit them to report orally on their discovery plan at the Rule 16(b) conference.

(g) Signing of Disclosures, Discovery Requests, Responses, and Objections.

(1) Every disclosure made pursuant to subdivision (a)(1) or subdivision (a)(3) shall be signed by at least one attorney of record in the attorney's individual name, whose address shall be stated. An unrepresented party shall sign the disclosure and state the party's address. The signature of the attorney or party constitutes a certification that to the best of the signer's knowledge, information, and belief, formed after a reasonable inquiry, the disclosure is complete and correct as of the time it is made.

(2) Every discovery request, response, or objection made by a party represented by an attorney shall be signed by at least one attorney of record in the attorney's individual name, whose address shall be stated. An unrepresented party shall sign the request, response, or objection and state the party's address. The signature of the attorney or party

constitutes a certification that to the best of the signer's knowledge, information, and belief, formed after a reasonable inquiry, the request, response, or objection is:

(A) consistent with these rules and warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law;

(B) not interposed for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation; and

(C) not unreasonable or unduly burdensome or expensive, given the needs of the case, the discovery already had in the case, the amount in controversy, and the importance of the issues at stake in the litigation.

If a request, response, or objection is not signed, it shall be stricken unless it is signed promptly after the omission is called to the attention of the party making the request, response, or objection, and a party shall not be obligated to take any action with respect to it until it is signed.

(3) If without substantial justification a certification is made in violation of the rule, the court, upon motion or upon its own initiative, shall impose upon the person who made the certification, the party on whose behalf the disclosure, request, response, or objection is made, or both, an appropriate sanction, which may include an order to pay the amount of the reasonable expenses incurred because of the violation, including a reasonable attorney's fee.

[Amended December 27, 1946, effective March 19, 1948; January 21, 1963, effective July 1, 1963; February 28, 1966, effective July 1, 1966; March 30, 1970, effective July 1, 1970; April 29, 1980, effective August 1, 1980; April 28, 1983, effective August 1, 1983; March 2, 1987, effective August 1, 1987; April 22, 1993, effective December 1, 1993; April 17, 2000, effective December 1, 2000.]

RULE 27. DEPOSITIONS BEFORE ACTION OR PENDING APPEAL

(a) Before Action.

(1) *Petition.* A person who desires to perpetuate testimony regarding any matter that may be cognizable in any court of the United States may file a verified petition in the United States district court in the district of the residence of any expected adverse party. The petition shall be entitled in the name of the petitioner and shall show: 1, that the petitioner expects to be a party to an action cognizable in a court of the United States but is presently unable to bring it or cause it to be brought, 2, the subject matter of the expected action and the petitioner's interest therein, 3, the facts which the petitioner desires to establish by the proposed testimony and the reasons for desiring to perpetuate it, 4, the names or a description of the persons the petitioner expects will be adverse parties



is some showing that the out-of-state waste excluded is more harmful than the in-state waste allowed, the statute must fail. The State's principal argument, that exclusion of in-state, out-of-district waste validates exclusion of out-of-state waste, is squarely rejected by the *Fort Gratiot* opinion.

[5] The State also suggests that the statute can be saved because it is no more than the effort of the State to comply with federal policy as expressed in the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq. (RCRA). This Act, the State says, is not cited in the *Fort Gratiot* opinion, so the argument based on the federal statute is still open. We are constrained to disagree. In the first place, it can hardly be supposed that the *Fort Gratiot* Court was unaware of RCRA. The statute is referred to in the *City of Philadelphia* opinion, 437 U.S. at 620-21 n. 4, 98 S.Ct. at 2534 n. 4, and regulations promulgated by the United States Environmental Protection Agency pursuant to the statute are referred to in the dissenting opinion in *Fort Gratiot*, — U.S. at —, 112 S.Ct. at 2029-31. It is certainly true, as the Supreme Court held in *City of Philadelphia*, 437 U.S. at 620-21, 98 S.Ct. at 2533-34, that the Arkansas statutes are not preempted by RCRA or other federal legislation, and cannot be invalidated on that ground. The claim in the present case, though, is not preemption. It is that the statutes in question violate the so-called "dormant" or "negative" Commerce Clause—that is, that the Commerce Clause of its own force invalidates them, entirely apart from any congressional action. RCRA does mandate a system of regional planning by the states, and the statutes involved in this case are responses to that mandate. But nothing in RCRA or any other federal statute comes close to authorizing different treatment of out-of-state waste. We conclude that the State's argument based on RCRA cannot be accepted.

III.

Fort Gratiot compels a reversal in this case. Whether this is wise policy is not our business. If Congress believes it is un-

wise, if Congress wishes to authorize a regime under which each region, so to speak, takes care of its own waste, it can certainly do so. No such authority now exists, and we have no choice but to follow clear Supreme Court precedent. "[O]ur economic unit is the Nation.... [T]he states are not separable economic units." *H.P. Hood & Sons, Inc. v. Du Mond*, 336 U.S. 525, 537-38, 69 S.Ct. 657, 665, 93 L.Ed. 865 (1949), cited with approval in *City of Philadelphia*, 437 U.S. at 623, 98 S.Ct. at 2535.

The judgment of the District Court, dismissing the debtor's complaint in this adversary proceeding, is reversed, and this cause is remanded to that Court with directions to fashion equitable relief consistent with the principles laid down in this opinion. It is not our intention to invalidate or interfere with any provisions of Act 870 of 1989 or Act 319 of 1991 that do not discriminate against interstate commerce, and we note that both statutes contain severability clauses. Act 870, Section 13; Act 319, Section 7. In addition, nothing in this opinion in any way diminishes the right of the State to require landfills within its borders to meet health and safety standards.

Reversed and remanded with instructions.



Gaylon HOFER, Appellant,

v.

MACK TRUCKS, INC., Appellee.

No. 91-3428.

United States Court of Appeals,
Eighth Circuit.

Submitted June 11, 1992.

Decided Dec. 14, 1992.

Rehearing and Rehearing En Banc

Denied Feb. 2, 1993.

Products liability suit was brought against truck manufacturer, claiming that

defective design of sleeper compartment caused plaintiff's injuries during rollover. Jury in the United States District Court for the District of South Dakota, John B. Jones, Chief Judge, returned verdict in favor of manufacturer, and plaintiff appealed. The Court of Appeals, Larson, Senior District Judge, sitting by designation, held that: (1) there was no abuse of discretion in denying discovery as to earlier truck designs; (2) there was no abuse of discretion in refusal to submit issue of punitive damages; and, (3) there was no error in failure to submit proposed instructions on compliance with federal regulations and crashworthiness.

Affirmed.

1. Federal Civil Procedure ⇨1272

While standard of relevance in context of discovery is broader than in context of admissibility, this tenet should not be misapplied so as to allow fishing expeditions in discovery, and some threshold showing of relevance must be made before parties are required to open wide the doors of discovery. Fed.Rules Civ.Proc.Rule 26(b), 28 U.S.C.A.

2. Federal Civil Procedure ⇨1581

In action for injuries sustained by occupant of truck sleeper compartment during rollover of newly designed truck, there was no abuse of discretion in denying discovery relating to predecessor designs, where differences and departures in design of storage compartment under sleeper, which allegedly caused the injury, were fully explored at trial and the earlier truck models were sufficient dissimilar that burdens of production of documents regarding design minutiae of the earlier models would not have yielded information supporting claim that the new model truck cab was defective. Fed.Rules Civ.Proc.Rule 26(b), 28 U.S.C.A.

3. Federal Civil Procedure ⇨1581

Discovery of earlier models may be allowed in product liability action where plaintiff alleges that defendant was on notice of defect, that alternative design was feasible and known to defendant, and that

defendant did not eliminate previously occurring design defect, or that similar accidents related to the accident at issue had occurred, but completely unsupported argument that manufacturer of truck was motivated purely by economics, without regard to safety risks, was not sufficient to allow expedition into predecessor models.

4. Federal Civil Procedure ⇨1271

Even if party can demonstrate gross abuse of discretion by trial court with respect to denial of discovery, complaining party must also demonstrate prejudice.

5. Federal Courts ⇨905

In product liability action, testimony allegedly raising issue of collateral sources, specifically workers' compensation, was not reversible error where the references were slight, if not downright obscure, and there was no evidence of lack of good faith on part of defendant's counsel.

6. Federal Courts ⇨903

Any error in cross-examination of damages witness was harmless where jury found in favor of defendant on liability and did not consider issue of damages.

7. Pretrial Procedure ⇨24

Under South Dakota law, even before permitting discovery on punitive damages claim, court must find, based on clear and convincing evidence, that there is reasonable basis to believe that defendant acted in willful, wanton, or malicious manner.

8. Damages ⇨208(8)

In product liability action against truck manufacturer on theory of lack of crashworthiness, there was no abuse of discretion in refusing to submit punitive damages issue to the jury, where there was ample evidence that manufacturer adequately "crash tested" truck and complete absence of any evidence that it had knowledge of any unreasonable risks or acted maliciously or even indifferently.

9. Products Liability ⇨35

Compliance with federal motor vehicle safety standards is not, in an of itself, sufficient to exempt manufacturer from liability but, under South Dakota law, jury

may consider manufacturer's compliance with those standards in determining whether it failed to use reasonable care in the performance of its duties and was thus negligent.

10. Federal Civil Procedure ⚡2183

In product liability suit against truck manufacturer, there was no abuse of discretion in refusing to submit to jury instruction that compliance with federal motor vehicle standards would not itself exempt manufacturer from liability, in view of instructions as a whole.

11. Products Liability ⚡36

Automobile manufacturer is under duty to use reasonable care in design of vehicle to avoid subjecting user to unreasonable risk of injury in event of collision.

12. Federal Civil Procedure ⚡2183

Federal Courts ⚡911

Products Liability ⚡96.5

Even though suit against truck manufacturer could technically be described as a crashworthiness case, plaintiff was not entitled to specific jury instruction thereon and instructions, taken as a whole, fairly and adequately submitted issues where they clearly set forth manufacturer's duty with regard to design and correctly defined common-law negligence and, in any event, plaintiff was not prejudiced.

13. Federal Civil Procedure ⚡1970

Federal Courts ⚡905

Denunciations of opposing counsel will constitute reversible error when they are plainly unwarranted and clearly injurious.

14. Federal Courts ⚡626, 640

Verdict would not be disturbed on grounds of claimed misconduct of counsel in closing argument where appellant did not preserve objections and request curative or remedial action by the court during trial, despite contention that interrupting opposing counsel during argument is hazardous and that motion for mistrial at close of argument would have negated tremen-

dous personal and financial resources that had been put into the trial.

Gerald L. Reade (argued), Yankton, SD, James R. Harr (on brief), Tripp, SD, for appellant.

Michael J. Schaffer (argued), Sioux Falls, SD, Marie E. Hovland (on brief), Sioux Falls, SD, for appellee.

Before BOWMAN and LOKEN, Circuit Judges, and LARSON,* Senior District Judge.

LARSON, Senior District Judge.

In this diversity case, Gaylon Hofer ("Hofer") brought suit against Mack Trucks, Inc. ("Mack"), alleging negligence and strict liability in the design, manufacture, testing, and marketing of a Mack truck and seeking punitive damages. Hofer appeals the judgment, entered upon a jury verdict that Hofer is not entitled to any recovery, and from the district court's¹ denial of Hofer's Motion for a New Trial. On appeal, Hofer asserts that the court erred with regard to a discovery ruling and several evidentiary rulings, in its refusal to submit the issue of punitive damages to the jury, and in its refusal of certain proposed jury instructions. Hofer further asserts that the closing argument of counsel for Mack was prejudicial. We affirm the judgment of the district court.

I.

FACTS

Hofer was rendered a paraplegic as a result of the rollover of a newly designed, 1985 Mack truck on October 11, 1985. The sleeper compartment mattress sits on two removable base panels which are not secured; under each base panel is a storage compartment, designed to allow inside access from the sleeper compartment. Hofer was asleep in the sleeper compartment of the cab, face down with his head behind the

* The Honorable Earl R. Larson, Senior United States District Judge for the District of Minnesota, sitting by designation.

1. The Honorable John B. Jones, United States District Judge for the District of South Dakota.

driver's seat, when the truck left the highway, rolled onto its right side and skidded to a stop. At trial, Hofer presented the theory that the mattress and the left base panel dislodged during the accident, allowing a heavy tool box to eject from within the storage compartment into the sleeper compartment, striking Hofer in the chest, and causing a cord lesion and the resultant paralysis.

Mack presented evidence refuting Hofer's causation theory. Mack argued that Hofer flew off the mattress and fell seven to ten feet to the right side of the truck, landing on his buttocks. The force exerted on his spine caused a compression fracture and, as he then flexed forward, the spine was severed, causing paralysis. Mack further contended that the mattress was between Hofer and the storage compartment, shielding him from the toolbox.

II.

DISCOVERY

Predecessor Truck Designs

The subject Mack truck was a Model MH. Hofer sought discovery relating to predecessor designs (specifically Models F and W) manufactured since 1975, citing numerous design and materials changes. Hofer desired to discover information which would support a showing that Mack departed from a prior, safer design, the reasons for the departures, and any comparisons by Mack of the crashworthiness and safety of the models. Hofer's motion to compel was denied by the district court, which essentially stated that the requested materials were neither relevant nor discoverable.

[1] Rule 26(b) of the Federal Rules of Civil Procedure is widely recognized as a discovery rule which is liberal in scope and interpretation, extending to those matters which are relevant and reasonably calculated to lead to the discovery of admissible evidence. *Kramer v. Boeing Co.*, 126 F.R.D. 690, 692 (D.Minn.1989) (and cases cited therein). While the standard of relevance in the context of discovery is broader than in the context of admissibility (Rule

26(b) clearly states that inadmissibility is no grounds for objection to discovery), *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 98 S.Ct. 2380, 57 L.Ed.2d 253 (1978), *Culligan v. Yamaha Motor Corp., USA*, 110 F.R.D. 122 (S.D.N.Y.1986), this often intoned legal tenet should not be misapplied so as to allow fishing expeditions in discovery. Some threshold showing of relevance must be made before parties are required to open wide the doors of discovery and to produce a variety of information which does not reasonably bear upon the issues in the case.

[2] In this case, Hofer articulated two reasons for discovery about Mack's predecessor designs and the departures therefrom. Hofer refers to a nonspecific allegation that the change in overall construction, from reinforced steel and aluminum to fiberglass, affected the general crashworthiness of the model MH truck. More specifically, Hofer states that, "The matter of a departure from a fully enclosed storage compartment in constructing the MH model truck cab was at the core of Hofer's claim." Brief for Appellant at 27.

First, it is clear that the differences and departures in the design of the storage compartment were fully explored at trial. (It should be noted that Mack did agree to produce the designs, diagrams, and blueprints of the bunk base (storage compartment) portion of the predecessor models. The record reflects this agreement; whether or not the production actually took place is not clear from the record before us.) Second, two of Hofer's experts independently located, examined, and photographed actual F and W truck models. In addition, Hofer's primary expert stated that he saw diagrams of the two predecessor models. The differences in construction were thus examined and analyzed, and were explained to the jury at trial.

In previous cases, decided in a variety of jurisdictions, the courts have set forth no black letter rule of law regarding discovery of predecessor models in products liability cases, other than to state that discovery of similar, if not identical, models is generally

permitted. *Culligan*, 110 F.R.D. at 126. ("Generally, different models of a product will be relevant if they share with the accident-causing model those characteristics pertinent to the legal issues raised in the litigation." *Fine v. Facet Aerospace Products Co.*, 133 F.R.D. 439, 441 (S.D.N.Y.1990).) Rather, the courts have undertaken a fact specific determination of the extent of the similarities or dissimilarities, and have inquired about the basis for the discovery request. We do the same here.

Sufficient similarities have been found to exist where it was alleged that three-wheel all-terrain vehicles are inherently unstable, *Culligan, supra*; where a plaintiff maintained that a redesigned motor mount that failed in his car had not eliminated the defects found in earlier models, *Swain v. General Motors Corp.*, 81 F.R.D. 698 (W.D.Pa.1979); and where an airplane engine failure was alleged, the area was highly technical and complex, and the defendant controlled exclusively all access to the technical data, *Kramer v. Boeing Co.*, 126 F.R.D. 690 (D.Minn.1989). See also *Josephs v. Harris Corp.*, 677 F.2d 985 (3d Cir.1982); *Dollar v. Long Mfg., N.C., Inc.*, 561 F.2d 613 (5th Cir.1977), cert. denied, 435 U.S. 996, 98 S.Ct. 1648, 56 L.Ed.2d 85 (1978); *Uitts v. General Motors Corp.*, 58 F.R.D. 450 (E.D.Pa.1972). On the other hand, discovery has been denied where the predecessor models did not share pertinent characteristics with the products at issue. Sufficiently dissimilar characteristics have been found to exist where a plaintiff sought information about a vehicle recall, but the models recalled did not have the same component as the one at issue in the litigation, *Uitts v. General Motors Corp.*, 62 F.R.D. 560 (E.D.Pa.1974), where the court permitted discovery of three model years immediately preceding the model at issue, but denied discovery as to a still earlier model because it was too dissimilar, *Prashker v. Beech Aircraft Corp.*, 258 F.2d 602 (3d Cir.), cert. denied, 358 U.S. 910, 79 S.Ct. 236, 3 L.Ed.2d 230 (1958), and where a plaintiff was not able to make even a threshold showing that airplane bladder tanks or wetwing fuel systems

were potential substitutes, or potentially safer than, metal fuel tanks, *Fine v. Facet Aerospace Products Co.*, 133 F.R.D. 439 (S.D.N.Y.1990). See also *Butkowski v. General Motors Corp.*, 497 F.2d 1158 (2d Cir.1974); *Frey v. Chrysler Corp.*, 41 F.R.D. 174 (W.D.Pa.1966).

In the instant case we are satisfied that the truck models F and W are sufficiently dissimilar in design from the model MH that a burdensome production of documents regarding the design minutiae of those earlier models would not have yielded information which would have supported Hofer's claim that the model MH truck cab was defective.

[3] Hofer's argument regarding crash-worthiness is not persuasive. Having discovered all possible information regarding the model truck at issue (MH), it was the task of Hofer's experts to develop and to demonstrate the alleged defects *in that model*. As discussed above, Hofer had sufficient information about the F and W models to demonstrate to the jury the differences in overall construction. However, no specific allegations supporting the need for further discovery of information were made. For example, discovery may be allowed where a plaintiff alleges that the defendant was on notice of a defect, that an alternative design was feasible and the defendant had knowledge of the same, that a defendant did not eliminate a previously occurring defect in design, or that previous, similar accidents related to the accident at issue had occurred. Hofer's stated desire to argue that Mack was motivated purely by economics, without regard to safety risks, was completely unsupported and was simply not sufficient to allow an expedition into predecessor models. Hofer relies heavily on *Culligan, supra*, for support of his arguments. However, the reasoning of the court in *Culligan* in its discussion of post-manufacturing testing is not applicable to the instant case.

[4] If a party can demonstrate a gross abuse of discretion by the trial court (bearing in mind that in the discovery arena the trial judge's discretion is particularly

broad), *Cook v. Kartridg Pak Company*, 840 F.2d 602, 604 (8th Cir.1988) then the complaining party must also demonstrate prejudice. See *Ranger Transportation, Inc. v. Wal-Mart Stores*, 903 F.2d 1185, 1187 (8th Cir.1990). The district court clearly did not abuse its discretion in this instance, and Hofer has not shown the requisite prejudice.

III.

EVIDENTIARY ISSUES

A. *Workers' Compensation*

[5] Hofer complains of three separate instances during trial where Mack raised the issue of collateral sources, specifically workers' compensation. First, during the cross-examination of Hofer's witness, Norman Breen (a truck driver), Mack's counsel questioned Breen on the subject of his prior representation by Hofer's counsel in a workers' compensation case arising out of a trucking accident. Next, during Mack's cross-examination of Hofer, Hofer was asked if he knew the cost of a specific medication for which he has a prescription. Hofer replied that he did not, but that he simply called in an order and that it was delivered to him. And finally, Dr. Ralph Brown, an economist and one of Hofer's experts, was questioned about Hofer's annual cost of care, reduction to present value, and the statutory discount rate. This elicited a response from Hofer's own witness that the discount rate was applicable only to workers' compensation lump sum payments.

Hofer alleges that all three questions were designed to improperly inform the jury of collateral sources available to Hofer, and that the cumulative effect of the three instances was to prejudice the jury, resulting in reversible error. We recognize that, under South Dakota law, the introduction of workers' compensation into a trial constitutes error. *Stratton v. Sioux Falls Traction System*, 49 S.D. 113, 206 N.W. 466 (1925). Here, however, the three areas of testimony complained of simply do not rise to the requisite level, individually or cumulatively. The references were slight,

if not downright obscure. (The first, in particular, is noteworthy as Mack properly impeached Breen regarding his identity of interest with Hofer's counsel.) No evidence demonstrating lack of good faith on the part of Mack's counsel has been shown. We rely upon the judgment of the district court, which is in the best position to evaluate such questions, that the statements elicited by defense counsel were not prejudicial. See *Harris v. Zurich Insurance Co.*, 527 F.2d 528, 531 (8th Cir.1975).

B. *Cross-examination of Dr. Brown*

[6] Dr. Brown was called by Hofer to testify about Hofer's lost future income (based on claims that Hofer is permanently, totally disabled and completely unemployable), and the reduction of future medical expenses to present value. Hofer maintains that Mack improperly questioned Dr. Brown by delving into the issues of his preliminary calculations of Hofer's medical expenses (Hofer presented at trial vastly different calculations performed by a different expert), and Dr. Brown's familiarity with another disabled individual who is employed and productive.

The jury verdict form is crystal clear. The jury found in favor of Mack and did not consider the issue of damages, so this court need not reach the merits of Hofer's arguments regarding damages. Even in the event of error, Hofer was not prejudiced in any way and the error was harmless.

IV.

PUNITIVE DAMAGES

[7] South Dakota law strictly confines instances in which a party may seek punitive damages. Even before permitting discovery on a punitive damages claim, a court must find, based on "clear and convincing evidence", that there is a reasonable basis to believe that the defendant has acted in a "willful, wanton or malicious" manner. *Vreugdenhil v. First Bank*, 467 N.W.2d 756 (S.D.1991); *Fiegen v. North Star, LTD.*, 467 N.W.2d 748 (S.D.1991);

Flockhart v. Wyant, 467 N.W.2d 473 (S.D. 1991).

[8] After hearing all evidence presented by Hofer at trial, the district court determined that there was no support for a punitive damages claim, and refused to submit the issue to the jury. Our review of the record indicates that the district court did not abuse its discretion. There is ample evidence that Mack adequately "crash tested" the MH model and a complete absence of evidence that Mack had knowledge of any unreasonable risks or that it acted maliciously or even indifferently in its production of the MH truck cab.

As indicated above, further discussion of the legal precedents on this issue is unwarranted in light of the fact that the jury found no liability and did not reach the issue of damages. See *Fluckey v. Chicago & Northwestern Transportation Company*, 838 F.2d 302, 303 (8th Cir.1988); *Green v. American Airlines, Inc.*, 804 F.2d 453, 456 (8th Cir.1986).

V.

JURY INSTRUCTIONS

A. Compliance With Federal Regulations

[9,10] Counsel for Mack referred during trial to Mack's compliance with federal safety standards. In response, two of Hofer's experts opined that such safety standards are minimal standards and that manufacturers have a duty to go beyond the standards and to manufacture the safest possible truck.

Hofer now contends that it was prejudicial error not to submit proposed jury instruction 24, as follows, to the jury.

Compliance with federal motor vehicle safety standards is not, in and of itself, sufficient to exempt a manufacturer from liability.

Standing alone, this is a correct, but not complete, statement of the substantive South Dakota law. Had the court accepted the proposed instruction, Mack would have been entitled to a further instruction stating that the jury may consider Mack's com-

pliance with standards in determining whether it failed to use reasonable care in connection with the performance of its duties, and was thus negligent. See *Zacher v. Budd Co.*, 396 N.W.2d 122, 133-34 (S.D.1986). The absence of both portions of the instruction did not create prejudicial error in this case. While Hofer contends that this jury was left with the impression that Mack exercised reasonable care through its compliance with safety standards, we express grave doubts that this was at the root of the jury's decision, particularly given the exchanges on the subject during the trial. *E.I. duPont de Nemours & Co. v. Berkley and Co., Inc.*, 620 F.2d 1247, 1258 n. 8 (8th Cir.1980) (even if the court erred in instructing the jury, a new trial is not required unless the jury was significantly influenced by issues erroneously submitted to it). Reviewing the jury instructions as a whole, see *Davis v. Merrill Lynch, Pierce, Fenner & Smith*, 906 F.2d 1206 (8th Cir.1990), the absence of proposed instruction 24 was not error, and the court did not abuse its discretion in refusing to submit the instruction to the jury.

B. Crashworthiness

[11] Seven of Hofer's proposed jury instructions were taken nearly verbatim from the language of the landmark case, *Larsen v. General Motors Corp.*, 391 F.2d 495 (8th Cir.1968). Often cited, and referred to variously as the seminal case on crashworthiness, second collision, or enhanced injury, *Larsen* stands for the proposition that an automobile manufacturer is under a duty to use reasonable care in the design of its vehicle to avoid subjecting the user to an unreasonable risk of injury in the event of a collision. *Larsen*, 391 F.2d at 502. See *Wagner v. International Harvester Co.*, 611 F.2d 224 (8th Cir.1979). This holding was in response to the argument of General Motors that negligent design is not actionable where the alleged defective design is not a causative factor in the accident. General Motors contended that it had no duty to design and manufacture a vehicle which was "safer" to occupy during a collision.

[12] While much ado was initially made about second collision cases, the *Larsen* court itself recognized and stated that its decision was not especially innovative. The court stated, "The duty of reasonable care in design rests in common law negligence that a manufacturer of an article should use reasonable care in the design and manufacture of his product to eliminate any unreasonable risk of foreseeable injury. . . . [t]he courts since *MacPherson v. Buick Motor Co.*, 217 N.Y. 382, 111 N.E. 1050 (1916) have held that a manufacturer of automobiles is under a duty to construct a vehicle that is free of latent and hidden defects." *Larsen*, 391 F.2d at 503. The key then to the *Larsen* decision is the duty of non-negligent design given the foreseeability of the risk of injury in the event of collision, rather than the foreseeability of the collision itself (nearly a given in today's society). See *Robbins v. Farmers Union Grain Terminal Ass'n.*, 552 F.2d 788, 794 n. 15 (8th Cir.1977).

In this case the court submitted instructions to the jury which clearly set forth Mack's duty with regard to design, and correctly defined common law negligence. While we agree that this case can technically be described as a crashworthiness case, this does not, a fortiori, mean that Hofer is entitled to the specific jury instruction language of his choice.

[W]hile a litigant is entitled to have the trial judge advise the jury of his theories and claims. . . ., the actual form of the instructions is within the trial court's discretion. Counsel cannot, therefore, require that an instruction be rendered in the categorical language that he fancies would be most beneficial to his cause. *Reyes v. Wyeth Laboratories*, 498 F.2d 1264, 1289 (5th Cir.) (footnote omitted), cert. denied, 419 U.S. 1096, 95 S.Ct. 687, 42 L.Ed.2d 688 (1974) (quoted at *Vanskike v. ACF Industries, Inc.*, 665 F.2d 188, 205 (8th Cir.1981)). This jury was fully informed of the factors which were probative of the issue at hand, *Vanskike*, 665 F.2d at 201, and the instructions, taken as a whole, fairly and adequately submitted those issues. *Davis*, 906 F.2d at 1220.

We can envision a situation where it would be reversible error not to specifically instruct the jury on the legal principles set forth in *Larsen*. See *Mitchell v. Volkswagenwerk, AG*, 669 F.2d 1199 (8th Cir. 1982) (two specific causative factors were alleged, there were two defendants, and apportionment of damages was at stake.) However, despite Hofer's protestations throughout this appeal that Mack has attempted to unacceptably narrow the allegations to the design of the sleeper and storage compartments, we note that the case was submitted to the jury on that *single* theory. Jury Instruction 8, which has not been assigned as error on appeal, succinctly informed the jury that Hofer alleged that he was injured because of the defective condition of, and/or Mack's negligence with regard to, the mattress base panels and the storage compartment. The inclusion of the requested instructions is extremely unlikely to have changed the jury's verdict. Even if the court did err, Hofer cannot affirmatively demonstrate that he was prejudiced. See *Vanskike*, 665 F.2d at 203; *Lynch v. Travelers Indemnity Co.*, 452 F.2d 1065, 1067 (8th Cir.1972); *County of Todd v. Loegering*, 297 F.2d 470, 478-81 (8th Cir.1961).

C. Jury Instructions 14 and 29

Jury Instruction 14 refers to "[t]he conduct of any defendant" and to "any controlling, intervening cause" in its discussion of proximate cause. Hofer maintains that this instruction contains reversible error on the grounds that: 1) the conduct of the defendant is immaterial in a strict liability action, and 2) the jury could have understood "intervening cause" to mean the actions of the driver of the truck.

Hofer finally assigns error to Jury Instruction 29, which states, in essence, that Hofer need not eliminate all other possible explanations of causation in order to prove his theory of causation. Mack posited other possible explanations for Hofer's injuries and, therefore, Hofer argues that the instruction is "essential" to a fair submission of the case.

We have reviewed the jury instructions as a whole, the evidence presented, and the parties' legal arguments on appeal, and we determine that the court did not abuse its discretion in its submission of instructions 14 and 29. Again, the issues were fully and fairly presented to the jury. There is no merit to a further, elongated discussion of these particular issues.

VI.

CLOSING ARGUMENT

[13, 14] Hofer argues that Mack's counsel's entire closing argument was punctuated by unwarranted denunciations of Hofer's counsel, designed to inflame the jury against Hofer, his case, and his counsel. While such tactics are certainly questionable, and will constitute reversible error when they are plainly unwarranted and clearly injurious, *Vanskike v. Union Pacific R. Co.*, 725 F.2d 1146, 1149 (8th Cir. 1984), in this instance, the parties have lost sight of the difference between a hard fought battle with vigorous representation by the attorneys, and personal attacks clearly calculated to inflame and prejudice the jury. We take particular note that, with one specific exception, Hofer's counsel failed to object to the closing arguments made by Mack's counsel. While Hofer argues that interrupting opposing counsel during argument is a hazardous thing to do, and that moving for a mistrial at the close of argument would have negated the tremendous personal and financial resources that had been put into the trial, it was, nevertheless, his responsibility to note his exception and to preserve his objections during the trial. In the very least, Hofer should have requested some curative or remedial action by the court before the case was submitted to the jury. *Thomson v. Boles*, 123 F.2d 487, 495-96 (8th Cir. 1941), cert. denied, 315 U.S. 804, 62 S.Ct. 632, 86 L.Ed. 1204 (1942). We will not disturb this verdict on the grounds of claimed misconduct of counsel, particularly where the trial court has refused to do the same. "The district court is in a better position to determine whether prejudice has resulted from a closing argument, and the

appellate court will not disturb the district court's ruling unless there has been an abuse of discretion." *Vanskike*, 725 F.2d at 1149. See also *Geimer v. Pastrovich*, 946 F.2d 1379 (8th Cir.1991). The claimed errors in this instance did not effect the substantial rights of the parties, and did not so create undue prejudice or passion as to unduly taint the proceeding. See *Matthews v. CTI Container Transport International, Inc.*, 871 F.2d 270 (2d Cir.1989). The court did not abuse its discretion in refusing to grant a new trial on the basis of Mack's closing argument.

VII.

For the foregoing reasons, the judgment of the district court is affirmed in all respects.



MCI TELECOMMUNICATIONS CORPORATION, Appellant,

v.

GARDEN STATE INVESTMENT CORPORATION, doing business as Adventures in Achievement, Appellee.

No. 92-2636.

United States Court of Appeals,
Eighth Circuit.

Submitted Oct. 15, 1992.

Decided Dec. 14, 1992.

Telecommunications provider sued for nonpayment of amounts specified in Federal Communications Commission (FCC) tariff. The United States District Court for the District of Minnesota, James M. Rosenbaum, J., dismissed the suit for lack of subject matter jurisdiction, 791 F.Supp. 785, and provider appealed. The Court of



The Board likewise ruled correctly that appellant's evidence as to acquired distinctiveness or secondary meaning was insufficient to permit registration under Section 1052(f). Growth in sales was the principal factor upon which appellant relied to show distinctiveness. But, as the Board observed (App. 9), this may indicate the popularity of the product itself rather than recognition of the mark "BABY BRIE" as indicative of origin; or it may indicate acceptance of Bongrain's other mark "Alouette", which was used along with "BABY BRIE" on the packages (App. 23). The possible existence of secondary meaning is a question of fact, and it is not possible for us to find the Board's determination to be clearly erroneous. *Yamaha Int'l Corp. v. Hoshino Gakki Co.*, 840 F.2d 1572, 1581 (Fed.Cir.1988).⁹

Accordingly, the decision of the Board is AFFIRMED.



MICRO MOTION, INCORPORATED,
Plaintiff-Appellant,

v.

KANE STEEL CO., INC.,
Cross/Appellant.

Nos. 89-1219, 89-1220.

United States Court of Appeals,
Federal Circuit.

Jan. 24, 1990.

Patent owner brought ancillary proceeding to obtain discovery from nonparty competitor in connection with patent infringement suit being tried before district court in California. The United States District Court for the District of New Jersey, Stanley S. Brotman, J., ordered disclosure

⁹ Pertinent to the case at bar is the Court's comment in *Yamaha* that "the greater the degree of descriptiveness the term has, the heavier

of requested information except for names of competitor's customers. Appeal and cross appeal were taken. The Court of Appeals, Nies, Circuit Judge, held that: (1) owner failed to establish relevance of requested information as to claims for damages and lost profit, and (2) competitor was entitled to quashing of subpoena for deposition directed to documents and things that could not be discovered.

Affirmed in part and reversed in part.

1. Patents ⇄324.1

Court of Appeals for the Federal Circuit had jurisdiction over patent owner's appeal from motion partially granting nonparty competitor's motion to quash subpoena in ancillary proceeding; discovery sought by owner related to infringement suit. 28 U.S.C.A. §§ 1295(a)(1), 1338(a).

2. Patents ⇄324.2

Order quashing patent owner's subpoena in ancillary proceeding against nonparty competitor was unreviewable on appeal of final judgment in principal action, was final order, and was appealable as of right.

3. Federal Courts ⇄770

Cross appeal of nonparty competitor challenging discovery order in ancillary proceeding brought by patent owner was within Court of Appeals' pendent jurisdiction and did not need to be independently appealable; owner appealed partial denial of request for discovery in connection with infringement suit; and issues on cross appeal were closely intertwined with issues of appeal.

4. Patents ⇄318(1)

Where patentee produces or sells product or service covered by patent claims, patentee may seek to recover damages based on theory of lost profits. 35 U.S.C.A. § 284.

5. Patents ⇄318(1)

To recover damages on theory of lost profits, patentee must show that, but for

the burden to prove it has attained secondary meaning." 840 F.2d at 1581. See note 4, *supra*.

infringement, it would have made infringer's sales; this requirement of causation implicates patentee's manufacturing capacity and marketing capability, desires of customers for claimed invention, relationship of invention to products sold, and other factors pertinent to particular market of parties. 35 U.S.C.A. § 284.

6. Patents ⇨318(1)

Existence of third-party competitor does not defeat claim for lost profits in patent infringement suit. 35 U.S.C.A. § 284.

7. Federal Civil Procedure ⇨1271

To secure protection from discovery, nonparty may invoke inherent protection of court or rule on subpoenas. Fed.Rules Civ. Proc.Rule 45(b, d), (d)(1), 28 U.S.C.A.

8. Federal Civil Procedure ⇨679

Party to litigation has no absolute right to pursue any and every alternative theory of damages, no matter how complicated or tenuous.

9. Patents ⇨292

Patent owner that sought damages and lost profits did not establish relevancy or right to discover information about nonparty competitor's business, such as sales volume and customer lists; owner did not show infringement by competitor's products based on its reasonable inquiry and did not charge competitor with infringement; and owner supplied no evidence or affidavit indicating that it made reasonable inquiry into nature of competitor's products. Fed.Rules Civ.Proc.Rule 26(b, g), 28 U.S.C.A.

10. Patents ⇨292

Protective order limiting disclosure of information obtained from nonparty competitor was no substitute for patent owner's need to establish relevance or need for discovery in connection with infringement suit and did not obviate competitor's objections to discovery. Fed.Rules Civ.Proc. Rule 26(b), 28 U.S.C.A.

11. Federal Civil Procedure ⇨1272

Relevancy of material sought in discovery cannot be established by merely giving all-encompassing name to distinctly separate inquiries; issue to which each request relates must be involved in pending action. Fed.Rules Civ.Proc.Rule 26(b), 28 U.S.C.A.

12. Patents ⇨292

Competitor that was not party to patent owner's infringement suit was entitled to quashing of subpoena for deposition directed to its documents and things which were not relevant to infringement action and which owner was not entitled to discover. Fed.Rules Civ.Proc.Rules 26(c), 30(b)(6), 28 U.S.C.A.

David J. Lee, Fish & Neave, New York City argued for plaintiff-appellant. With him on the brief were Jesse J. Jenner, Christa Hildebrand and John O. Tramontine.

Thomas J. Durling, Seidel, Gonda, Lavorgna & Monaco, P.C., Philadelphia, Pa., argued for cross/appellant.

Seymour Rothstein, Daniel A. Boehnen and Robert H. Resis, Allegretti & Witcoff, Ltd., Chicago, Ill., were on the brief for amicus curiae, Exac Corp.

Before MARKEY, Chief Judge, SKELTON, Senior Circuit Judge, and NIES, Circuit Judge.

NIES, Circuit Judge.

This appeal involves an order of a district court in an ancillary proceeding to obtain discovery from a nonparty in connection with a patent infringement suit being tried before a different district court. Two related appeals by similarly situated nonparties are also currently before us.¹ Discovery subpoenas relating to the same case were also served on at least two other nonparties. In each instance, the patent owner, Micro Motion, Inc., sought to obtain information from a nonparty competitor

1. *Micro Motion, Inc. v. Exac Corp. v. Smith Meter, Inc.*, 876 F.2d 1574 (Fed.Cir.1989), and *Micro Motion, Inc. v. Exac Corp. v. Neptune*

Measurement Co., 876 F.2d 1578 (Fed.Cir.1989) are dealt with in concurrently issued orders.

purportedly relevant and necessary to the issue of damages in the underlying patent infringement suit. In each instance, the nonparty moved to quash the subpoena, which in large part sought disclosure of the nonparty's confidential business information, such as sales volume of particular products and customer lists. In the proceeding involving the nonparty K-Flow Division of Kane Steel Company (K-Flow), dealt with in this opinion, the ancillary court ordered the disclosure of all information requested except for the names of K-Flow's customers.

Micro Motion appeals the denial of its request for the identities of K-Flow's customers (Appeal No. 89-1219); K-Flow cross-appeals the denial of its motion to quash with respect to the allowed requests (Appeal No. 89-1220). We conclude that Micro Motion has established no right under the Federal Rules of Civil Procedure to the discovery it requested and hold that K-Flow's motion to quash should have been granted in its entirety. Thus, in Appeal No. 89-1219, we affirm the district court's order to the extent challenged by Micro Motion, and in Appeal No. 89-1220, we reverse the rulings adverse to K-Flow.

I

Appellate Jurisdiction

[1-3] This court has jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (1982) over the appeal by Micro Motion from the order of the New Jersey district court granting K-Flow's motion to quash in part where the discovery relates to a patent infringement suit under 28 U.S.C. § 1338(a) (1982). *Heat & Control, Inc. v. Hester Indus., Inc.*, 785 F.2d 1017, 228 USPQ 926 (Fed.Cir.1986). An order quashing a subpoena in an ancillary proceeding not only terminates that proceeding but also is unreviewable on appeal of the final judgment in the principal action. Thus, such order is deemed a final order and is immediately appealable as of right. *National Life Ins. Co. v. Hartford Accident & Indemnity Co.*, 615 F.2d 595, 597 (3d Cir.1980). In this case the cross-ap-

peal of K-Flow need not be independently appealable to obtain review. The issues of the cross-appeal are closely intertwined factually and legally with the issues of the appeal. Under these circumstances, we may exercise pendent jurisdiction to review the merits of the cross-appeal, and we exercise our discretion in this case to do so. *See Intermedics Infusaid, Inc. v. Regents of the Univ. of Minn.*, 804 F.2d 129, 134, 231 USPQ 653, 657 (Fed.Cir.1986).

II

Background

In November 1984, Micro Motion, Inc., sued Exac Corp., Civil Action No. 84-20681 WAI, in the United States District Court for the Northern District of California, charging Exac with infringement of United States Patent Nos. 4,187,721, Re 31,450 and 4,491,025, in which suit it sought damages and injunctive relief. The subject matter of each patent relates to Coriolis mass flowmeters. Exac raised the defenses of unenforceability and noninfringement. The issues in the case were trifurcated for separate trials. First, the defense of unenforceability because of inequitable conduct was tried to the court and rejected. Thereafter, the issue of infringement was tried to the jury, which returned a verdict that Exac did not infringe. That verdict and the district court's denial of Micro Motion's motion for judgment NOV on infringement rendered a trial on damages unnecessary. However, the court granted a new trial on the issue of Exac's alleged infringement under the doctrine of equivalents, which brought the damage issue back into the case. *Micro Motion, Inc. v. Exac Corp.*, 686 F.Supp. 789, 5 USPQ2d 1957, 1963 (N.D.Cal.1987).² The parties agreed to additional discovery for the purpose of updating the evidence on damages, and the court set August 9, 1988, as the cutoff date for the additional discovery. On July 22, 1988, Micro Motion served a notice of deposition and accompanying subpoena on five companies, each of which allegedly competes with

2. In granting the new trial, the court found, *inter alia*, that the extremely complicated nature

of the case apparently led to the jury's misunderstanding of the law.

Micro Motion and Exac in selling Coriolis mass flowmeters. The date for completion of discovery was subsequently extended by the district court judge who took over the case from the judge who presided at the first trial.

In each subpoena, Micro Motion sought to take the deposition of a person designated under Fed.R.Civ.P. 30(b)(6) and the production of the following documents and things from each of the nonparties:

- (1) Documents evidencing the configuration and operation of each type or model of Coriolis mass flowmeter sold by [the company, including certain designated models].
- (2) One sample of each type or model of Coriolis mass flowmeter sold by [the company].
- (3) [Company] invoices for sales of Coriolis mass flowmeters or, if no invoices are kept, documents evidencing [the company's] sales volume and customers for Coriolis mass flowmeters.
- (4) Documents relating to loss of sales by [the company] of its Coriolis mass flowmeters to Coriolis mass flowmeters of Micro Motion, Incorporated ("Micro Motion") or Exac Corporation ("Exac").
- (5) Documents relating to deficiencies or malfunctioning of [the company's] Coriolis mass flowmeters, including but not limited to customer complaints, application data sheets for specific customers and call reports.
- (6) Documents relating to comparisons of [the company's] Coriolis mass flowmeters with Micro Motion's Coriolis mass flowmeters and/or Exac's Coriolis mass flowmeters.
- (7) Documents mentioning by name, number or other means of identification any of U.S. patents 4,187,721, Re 31,450 and 4,491,025.

Micro Motion obtained the subpoena for deposition and production served on K-Flow from the District Court for the District of New Jersey. After unsuccessful negotiations to limit the inquiry, K-Flow filed a motion to quash or in the alternative to modify the scope of the requested disclosure. K-Flow urged, *inter alia*, that the

information Micro Motion sought was not relevant or necessary, that its secrecy and confidentiality were essential to K-Flow, and that its disclosure would cause K-Flow serious, if not irreparable, injury. Micro Motion responded that the requested material was relevant to the issue of "damages" in that, to recover lost profits in the *Exac* suit, Micro Motion might have to prove that K-Flow's flowmeters were infringements or were unacceptable noninfringing substitutes. Micro Motion concedes that most of the information is confidential which is one reason it asserts it needs discovery from K-Flow.

The district court denied K-Flow's motion to quash the subpoena, except with respect to disclosure of the identities of K-Flow's customers (paragraph (3) of subpoena list, *supra*). The court noted that the other courts addressing the same issues against other competitors in this case had generally upheld Micro Motion's discovery requests and that the Federal Circuit had counseled that an ancillary court should be "especially hesitant" to pass judgment on relevancy, citing *Truswal Sys. Corp. v. Hydro-Air Eng'g, Inc.*, 813 F.2d 1207, 1212, 2 USPQ2d 1034, 1038 (Fed.Cir. 1987). With respect to "relevancy" the court held that Micro Motion need only show that the requested information sought "somehow relates to its pending California action", and it accepted Micro Motion's discourse on damage theories as establishing the relevancy of all the requests except as to the identities of K-Flow's customers. The court found "need" because the confidential information was not available elsewhere. *Sua sponte*, the court entered a protective order subjecting the disclosed information to the California court's protective order and, in addition, specifically limiting use of the information to the underlying litigation, prohibiting Micro Motion from contacting K-Flow's customers if the names were inadvertently disclosed, and providing for return of the materials to K-Flow. K-Flow urges that relevancy and need had not been established for any of the requested items and that, in any event, it will be substantially

harmful by the disclosure even under a protective order. Micro Motion claims entitlement to the discovery of K-Flow's customer lists, as well as all of the information, by reason of the pendency of the underlying patent infringement suit in which "damages" is an issue and urges that a protective order is sufficient to protect K-Flow's interests.

III

Patent Damages

A

[4] If successful in an infringement suit, a patent owner may recover actual damages or at least a reasonable royalty. 35 U.S.C. § 284 (1982). Where the patentee produces or sells a product (or service) covered by the patent claims, the patentee may seek to recover damages based on a theory of lost profits because the amount is likely to be greater than reasonable royalties.

[5] To recover damages on the theory of "lost profits", a patentee must show that, *but for* the infringement, it would have made the infringer's sales. *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 864, 226 USPQ 402, 409-10 (Fed.Cir. 1985), *cert. denied*, 475 U.S. 1016, 106 S.Ct. 1197, 89 L.Ed.2d 312 (1986). This requirement of causation implicates the patentee's manufacturing capacity and marketing capability, the desires of customers for the claimed invention, the relationship of the claimed invention to the product sold and other factors pertinent to the particular market or parties. Causation is most easily found where only two companies, the patentee and the infringer, are in the market. *Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 653, 225 USPQ 985, 987 (Fed.Cir.), *cert. denied*, 474 U.S. 902, 106 S.Ct. 230, 88 L.Ed.2d 229 (1985).

[6] Where there is evidence of a third party competitor, the lost profits theory would appear to be nonviable inasmuch as the third party could have made the sale rather than the patentee. Under such cir-

cumstances, there appears to be no possible causation. However, such is not the law.

Patentees have successfully urged modifications to the basic damage theory so as to cover situations other than the simple two-supplier market. There is precedent for finding causation despite an alternative source of supply if that source is an infringer or puts out a noninfringing product that is an unacceptable alternative, or has insignificant sales. *See, e.g., Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604, 222 USPQ 654 (Fed. Cir.) (proof of no acceptable substitutes), *cert. denied*, 469 U.S. 1038, 105 S.Ct. 516, 83 L.Ed.2d 405 (1984); *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 222 USPQ 4 (Fed.Cir.1984) (no alternative competing source where only four or five machines sold); *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 220 USPQ 490 (Fed.Cir.1983) (no acceptable alternatives because, *inter alia*, scale of operations of others was insignificant). Other litigants have been held entitled to lost profits damages calculated on a portion of an infringer's sales based on the patentee's market share. *State Indus., Inc. v. Morflo Indus., Inc.*, 883 F.2d 1573, 1577-78, 12 USPQ2d 1026, 1029 (Fed.Cir.1989), *cert. denied*, — U.S. —, 110 S.Ct. 725, 107 L.Ed.2d 744 (U.S.1990). These various theories are all invoked here to justify discovery from K-Flow of its products, comparative test results, sales figures, customers' names, and the like, to enable Micro Motion to determine which version or versions of the various lost profits damage theories to pursue.

[7] While the Federal Rules of Civil Procedure unquestionably allow broad discovery, a right to discovery is not unlimited. *Hickman v. Taylor*, 329 U.S. 495, 507, 67 S.Ct. 385, 391, 91 L.Ed. 451 (1947). As a matter of procedure, to secure protection from discovery, a nonparty may invoke the inherent power of the court, *see* 5A J. Moore & J. Lucas, *Moore's Federal Practice*, § 45.05[3], at 37 (2d ed.1989), or Fed. R.Civ.P. 45(b), if appropriate, to quash a subpoena. Under Rule 45(d), a nonparty subpoenaed for testimony and production

of documents may move for a protective order under Fed.R.Civ.P. 26(c), including an order that discovery *not be had*. Confidential commercial information warrants special protection under Rule 26(c)(7). *Smith & Wesson v. United States*, 782 F.2d 1074, 1082 (1st Cir.1986). A nonparty also may merely object to production of documents and things. Fed.R.Civ.P. 45(d)(1). By merely objecting, such discovery is foreclosed except pursuant to an order of the court. *Id.* Also, Rule 26(d), which pertains to controlling the sequence and *timing* of discovery, may be invoked as a mechanism for accommodating the competing interests of those involved in the discovery process, for example, by delaying discovery on damages until liability is established. *Cf. Sinclair Refining Co. v. Jenkins Petroleum Process Co.*, 289 U.S. 689, 53 S.Ct. 736, 77 L.Ed. 1449 (1933).

While the burdens may vary somewhat depending on which rule or procedure is invoked, the substantive considerations for denying a party discovery are generally the same and may be gleaned from Rule 26(b), (c) and (g). *Truswal Sys. Corp. v. Hydro-Air Eng'g, Inc.*, 813 F.2d at 1210-11, 2 USPQ2d at 1036-37; *American Standard, Inc. v. Pfizer Inc.*, 828 F.2d 734, 739-42, 3 USPQ2d 1817, 1820-23 (Fed.Cir.1987); *Heat & Control, Inc. v. Hester Indus., Inc.*, 785 F.2d at 1023-26, 228 USPQ at 931-33. Discovery may not be had regarding a matter which is not "relevant to the subject matter involved in the pending action." Fed.R.Civ.P. 26(b)(1). *Even if relevant*, discovery is not permitted where no need is shown, or compliance would be unduly burdensome, or where harm to the person from whom discovery is sought outweighs the need of the person seeking discovery of the information. Fed.R.Civ.P. 26(b)(1); *American Standard, Inc. v. Pfizer Inc.*, 828 F.2d at 739-42, 3 USPQ2d at 1820-23. Rule 26(g) specifically requires that the party or his attorney seeking discovery must *certify* that he has made a "reasonable inquiry" that the request is warranted. This "reasonable inquiry" is also imposed by Rule 11. *See* Fed.R.Civ.P. 11, Notes of Advisory Committee on Rules—1983 Amendment ("Discovery motions,

however, fall within the ambit of Rule 11."); *see also Apex Oil Co. v. Belcher Co.*, 855 F.2d 1009, 1015 (2d Cir.1988) (noting that Rule 26(g) "imposes a more stringent certification requirement than Rule 11" because a discovery request usually pertains to more specific subject matter than that covered under Rule 11). Each of the requests here is improper under one or more of these protective grounds.

B

In the instant situation, the patent suit has been tried once. Discovery on damages was completed and Micro Motion was apparently ready to proceed to trial on that issue had the verdict been favorable. In part because the district court concluded that the jury failed to comprehend complex issues (note 2, *supra*), the patentee prevailed on its motion for a new trial and has been given a second chance to establish liability and, if successful on the merits, go on to prove its actual damages. In this second suit, the patentee tells us it expects Exac's position on lost profit damages to be that others offer noninfringing acceptable substitutes. Therefore, Micro Motion may have to prove that all models of Coriolis mass flowmeters of each competitor are infringements, presumably of each of its three patents in suit. With respect to any model which *the jury determines* is noninfringing, Micro Motion says it will ask the jury to find that the model is an unacceptable substitute. As proof of unacceptability of a K-Flow product or products, Micro Motion states that it plans to match K-Flow's customer list, particularly its unsuccessful prospects, with Exac's customers which, per Micro Motion, would show that the latter did not consider the competitive product a viable alternative. Alternatively, Micro Motion argues that if K-Flow customers "were not targeted" Exac customers or if there is a small overlap between K-Flow customers and Exac customers, particularly if each sells to different segments of the market, the jury could then infer that K-Flow products are unacceptable.

How many products will be involved is not calculable precisely from the record before us, but we note that Micro Motion requested information on about a dozen specifically identified models in its nonparty subpoenas. Thus, this "complex" suit against Exac could be turned into an absolute quagmire of proofs concerning a dozen or so other products that are related to the main suit only with respect to damages.

Micro Motion asserts that discovery is necessary at this time because the California district court has ordered that proof of damages must proceed along with, or immediately after, proof of liability before the same jury. Micro Motion's request to "update" its damage evidence did not inform the court that Micro Motion expected to have the jury resolve numerous additional mini-infringement trials on each competing product under each of its patents and, if these efforts were unsuccessful, to go on to make findings of their unacceptability. Had a true picture been painted for the California court, the court could and, very likely, would have required a preliminary showing of the viability and practicability of plaintiff's various damage theories, particularly before authorizing discovery against a wholly uninvolved nonparty.

[8] A party to litigation has no absolute right to pursue any and every alternative theory of damages, no matter how complicated or tenuous. As indicated in *In re Sugar Indus. Antitrust Litig.*, a district court has discretion to deny a plaintiff's proposed method of proof of damages which imposes too great a burden on court proceedings:

Bifurcation of the issues of liability and damages seems to be the most appropriate way to proceed in this case. If the plaintiffs prevail in the liability phase of the case, then the court would direct the plaintiffs to submit proposals for the expeditious resolution of the damage is-

3. Micro Motion has never had to show that it can possibly meet the other requirements for lost profits damages. See *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156, 197 USPQ 726, 729-30 (6th Cir.1978).

4. *Socialist Workers Party v. Attorney General of United States*, 73 F.R.D. 699 (D.Md.1977) (dis-

covery transferred to court of main litigation, *inter alia*, where relevancy issues are complex).

sues. The court would than [sic] review such proposals to determine whether *the method of proving damages* will satisfy constitutional and procedural requirements and still *permit the efficient use of court time*.

73 F.R.D. 322, 355 (E.D.Pa.1976) (emphasis added). *Accord Seattle Box Co. v. Industrial Crating & Packing, Inc.*, 756 F.2d 1574, 1581, 225 USPQ 357, 363 (Fed.Cir.1985) (discretion in methodology of computing lost profits damages); see also *TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 902, 229 USPQ 525, 529 (Fed.Cir.), *cert. denied*, 479 U.S. 852, 107 S.Ct. 183, 93 L.Ed.2d 117 (1986); *Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 653-56, 225 USPQ 985, 987-89 (Fed.Cir.), *cert. denied*, 474 U.S. 902, 106 S.Ct. 230, 88 L.Ed.2d 229 (1985).

[9] The California court did not rule on whether any of Micro Motion's proposed theories were too tenuous or too burdensome on court proceedings to be tried. Unquestionably it is in the best position to determine whether Micro Motion's damage theories are viable.³ While we could remand for the New Jersey court to consider remitting the parties to the California court at Micro Motion's expense,⁴ it is unnecessary to do so. We conclude that, on this record, it was an abuse of discretion to order the discovery of the matters requested from K-Flow.⁵

In particular, Micro Motion asserted entitlement to discovery of information concerning each competitor's business simply because it may seek to prove lost profit damages. If this position were correct, a patentee could, in virtually every infringement suit, immediately obtain discovery from all possible competitors by merely filing a complaint asking for damages

covery transferred to court of main litigation, *inter alia*, where relevancy issues are complex).

5. See *Marroquin-Manriquez v. INS*, 699 F.2d 129, 134 (3d Cir.1983), *cert. denied*, 467 U.S. 1259, 104 S.Ct. 3553, 82 L.Ed.2d 855 (1984) (the scope and conduct of discovery are within the sound discretion of the trial court).

against one. And, of course, the alleged infringer in such case would have the same right. While we do not suggest that discovery is being used in this case simply to harass a competitor, the possibility for such abuse of discovery is readily apparent.

In any event, Micro Motion's assertion of a claim for damages or even lost profit damages in itself does not provide a mantle of relevancy with respect to all of the information it sought from K-Flow, and the district court erred in essentially adopting that view. The court required no more of Micro Motion than a theoretical argument that the requested information "somehow relates to its pending California action." We cannot agree that the district court's test was appropriate here or that, on this record, relevancy of the discovery within the meaning of Rule 26(b) has been otherwise established. The doors of the discovery process may not be so easily opened.

We hasten to recognize that the New Jersey district court no doubt felt constrained to allow the discovery sought because it appeared that the California court had authorized reopening discovery to obtain information, *inter alia*, from this particular company. Obviously, the ramifications of Micro Motion's request were as obscure in the New Jersey district court as they were in California. We do point out, however, that the caution by this court against an ancillary court considering relevancy does not preclude such consideration where there are serious relevancy questions that have not been given meaningful consideration in the main litigation. Here, it was not in the interest of either of the principal litigants to limit discovery from their competitors and, thus, neither sought to have the California district court rule on the relevancy of the discovery sought from the nonparties, nor did either even suggest that the discovery be delayed until after liability was established. This is, thus, not a case where an ancillary court would be second-guessing a relevancy ruling of the court handling the main litigation.

IV

Discovery Regarding Patent Damages

A

[10] As an initial matter, we reject Micro Motion's argument that the protective order, entered by the court here, obviates K-Flow's objections to discovery. The protective order is not a substitute for establishing relevance or need. Its purpose here is to prevent harm by limiting disclosure of *relevant* and *necessary* information. In appropriate cases, particularly where the company from whom discovery is sought has an affinity with a party to the main litigation, a protective order may be effective protection to a nonparty. See *Heat & Control, Inc. v. Hester Indus., Inc.*, 785 F.2d at 1019, 228 USPQ at 927-28. Here, however, information supplied by K-Flow is placed in risk of public disclosure by the very terms of the California protective order. To illustrate, the designation of material as "confidential" by K-Flow would not be controlling. The California court retains authority to decide what materials are properly deemed "confidential" and what part of the trial shall be *in camera*. It would be divorced from reality to believe that either party here would serve as the champion of its competitor K-Flow either to maintain the confidentiality designation or to limit public disclosure as much as possible during trial. K-Flow would, in fact, lose all control of the situation since disclosure of its information depends on the action by a court before whom it has no standing. See *Union Carbide Corp. v. Filtrol Corp.*, 278 F.Supp. 553 (C.D.Cal. 1967). Further, the resolution of the damages issue will necessarily disclose substantial information to the litigants. The point, however, is that a protective order which limits to whom information may be disclosed does not eliminate the requirements of relevance and need for information.

B

The initial inquiry on the discovery sought by Micro Motion is whether its requests are "relevant to the subject matter involved in the pending action." Fed.R.

Civ.P. 26(b)(1).⁶ While the requirement that discovery be "relevant to the subject matter involved" is to be broadly construed, the divergent situations to which it must apply makes it impossible to provide a rigid definition of this phrase. *In re Penn Cent. Commercial Paper Litig.*, 61 F.R.D. 453, 460 (S.D.N.Y.1973); 8 C. Wright & A. Miller, *Federal Practice and Procedure*, § 2008, at 45 (1970). Clearly discovery is allowed to flesh out a pattern of facts already known to a party relating to an issue necessarily in the case. *See, e.g., In re Penn Cent. Commercial Paper Litig.*, 61 F.R.D. at 458-62. At the other extreme, requested information is not relevant to "subject matter involved" in the pending action if the inquiry is based on the party's mere suspicion or speculation.⁷ *See Mahoney v. United States*, 233 Ct.Cl. 713, 717-19 (1980); *Missouri Pacific R.R. v. United States*, 338 F.2d 668, 671-72 (Ct. Cl.1964). The area in between raises the difficult discovery questions where discretionary decisions must be made.

A case illustrating this point is *American Standard, Inc. v. Pfizer, Inc.*, 828 F.2d 734, 3 USPQ2d 1817 (Fed.Cir.1987). In *American Standard*, the patentee sought discovery of the sales figures of a nonparty alleged infringer to buttress its patent validity argument with evidence of the invention's commercial success. In affirming the district court's denial of the discovery sought, this court interpreted the "relevancy" requirement of Rule 26(b)(1) and concluded that the district court did not abuse

its discretion in holding that the sales information of the nonparty was not *relevant*.⁸ As this court stated there, the district court, on the record before it, could have concluded that the nonparty sales were not due to the merits of the invention inasmuch as many factors unrelated to the merits of the invention influenced from whom customers buy and, thus, the nonparty sales were not "relevant." *American Standard, Inc. v. Pfizer, Inc.*, 828 F.2d at 742, 3 USPQ2d at 1822. That holding is in line with the interpretation of Rule 26(b) that discovery may be denied where, in the court's judgment, the inquiry lies in a speculative area.

[11] In the instant case, Micro Motion must put forth a number of divergent damage theories on which to base its relevancy arguments inasmuch as all of the information requested from K-Flow does not relate to each of its damage theories. For example, information and documents with respect to complaints of customers and K-Flow's sales figures would be relevant to its theory that K-Flow's products are unacceptable noninfringing substitutes, but would not be relevant to its theory that K-Flow is an infringer. On the other hand, documents relating to Micro Motion's patents are not relevant to its unacceptable substitute theory. Thus, the question is whether Micro Motion satisfactorily established that *each theory* was actually "subject matter involved in the pending action."⁹ The district court did not make

6. Rule 26(b)(1) provides in pertinent part: Parties may obtain discovery regarding any matter, not privileged, which is *relevant to the subject matter involved in the pending action*, whether it relates to the claim or defense of the party seeking discovery or to the claim or defense of any other party....
Fed.R.Civ.P. 26(b)(1) (emphasis added).

7. Rule 26(b)(1) contains the provision: "It is not ground for objection that the information sought will be inadmissible at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence." That provision does not justify wholly speculative discovery. Rather it defines the scope of an inquiry, freeing discovery from the rules of evidence on admissibility. This subsidiary provision does not override the basic requirement of Rule 26(b)(1) that the discovery

must be directed to "subject matter involved in the pending action."

8. A determination of relevance implicates substantive patent law. Therefore, we look to Federal Circuit law rather than regional circuit law in discussing relevance. *Truswal Sys. Corp. v. Hydro-Air Eng'g, Inc.*, 813 F.2d 1207, 1211-12, 2 USPQ2d 1034, 1038 (Fed.Cir.1987).

9. Whichever theory Micro Motion advances, we note that Micro Motion was prepared to try the issue of damages in the first trial without this discovery and, indeed, offered to forego additional discovery if it could secure an early second trial date. Were there any doubt that this discovery is not related to an issue *necessarily* or *inherently* involved in the pending suit, Micro Motion's own position would dispel it.

this type of inquiry but merely accepted Micro Motion's position that all requests were "relevant" to the issue of "lost profits damages." We must reject the view that relevancy can be established by merely giving an all encompassing name to distinctly separate inquiries. The issue to which each request relates must be "involved."

We conclude that the discovery requests of Micro Motion, as in *American Standard*, should have been denied as not relevant. There appears to be little case law on what is required to show that a particular inquiry is relevant to the subject matter of damages involved in the pending case. By analogy, however, were suit brought against K-Flow on a mere suspicion of infringement, discovery would not be allowed based on an allegation alone. "A bare allegation of wrongdoing . . . is not a fair reason for requiring a defendant to undertake financial burdens and risks to further a plaintiff's case." *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 363, 98 S.Ct. 2380, 2395, 57 L.Ed.2d 253 (1978). The discovery rules are designed to assist a party to prove a claim it reasonably believes to be viable *without discovery*, not to find out if it has any basis for a claim. See, e.g., *Netto v. AMTRAK*, 863 F.2d 1210, 1216 (5th Cir.1989); *MacKnight v. Leonard Morse Hosp.*, 828 F.2d 48, 52 (1st Cir.1987); *Marshall v. Westinghouse Elec. Corp.*, 576 F.2d 588, 592 (5th Cir.1978); *Hinton v. Entex, Inc.*, 93 F.R.D. 336, 337-38 (E.D. Tex.1981); *Isaac v. Shell Oil Co.*, 83 F.R.D. 428 (E.D.Mich.1979). That the discovery might uncover evidence showing that a plaintiff has a legitimate claim does not justify the discovery request (see note 8, *supra*).

It is reasonable to provide a nonparty from whom discovery is sought, at a minimum, with the same protection from discovery of information regarding infringement that it would have received had it been *sued* for infringement. Rule 26(g) requires a party to make a "reasonable inquiry" before seeking discovery, and parallels the thrust of Rule 11 with respect to making allegations in a complaint. In this case, not only has Micro Motion put forth not a shred of evidence on the infringing

nature of the K-Flow products based on its reasonable inquiry, but also it has studiously refrained from charging K-Flow with infringement. We conclude that K-Flow's infringement is not, on this record, shown to be subject matter involved in the California suit. Indeed, Micro Motion virtually admits this by asking for *models* of K-Flow products so that it can determine whether they infringe. At best Micro Motion can have only a suspicion of infringement by K-Flow. The record shows only that K-Flow sells Coriolis mass flowmeters, goods which can be made without infringing Micro Motion's patents. An unfounded suspicion regarding K-Flow's infringement does not support discovery into that subject matter. See *In re Petroleum Prods. Antitrust Litig.*, 680 F.2d 5, 8 (2d Cir.), *cert. denied*, 459 U.S. 909, 103 S.Ct. 215, 74 L.Ed.2d 171 (1982); *Mahoney v. United States*, 233 Ct.Cl. 713, 717-19 (1980).

Similarly, Micro Motion has requested test reports and complaints by customers on each K-Flow model. This information is assertedly relevant to the issue of whether such products are unacceptable noninfringing substitutes. However, if the products are infringements, as Micro Motion also suspects, the requested information is wholly irrelevant. In any event, Micro Motion has supplied no evidence or affidavit which indicates that Micro Motion has made a reasonable inquiry into the nature of K-Flow products. Its argument that it needs the information rests, in fact, on its studied ignorance, an ignorance at least partially curable without discovery inasmuch as K-Flow products have been on the market since 1986.

While the expression "fishing expedition" has been generally denigrated as a reason for objecting to discovery, in some situations, such as the one at hand, it remains apt. *Hancock Indus. v. Schaeffer*, 619 F.Supp. 322, 331 (E.D.Pa.1985); see also, *Milazzo v. Sentry Ins.*, 856 F.2d 321, 322 (1st Cir.1988); *Paul Kadair, Inc. v. Sony Corp.*, 694 F.2d 1017, 1032 (5th Cir. 1983). Micro Motion here is unmoored and trolling.

In sum, Micro Motion's theory is legally erroneous that it is entitled under Rule 26 to obtain the discovery it seeks here simply because its patent infringement complaint against another seeks damages. A litigant may not engage in merely speculative inquiries in the guise of relevant discovery.

V

Deposition Subpoenas

[12] The quashing of a subpoena *ad testificatum* is rarely granted. 5A J. Moore & J. Lucas, *Moore's Federal Practice*, § 45.05[3], at 37 (2d ed. 1989). Until the subpoenaed person is asked specific questions during the deposition, the deponent has, in virtually all cases, no basis to invoke the protective principles of Rule 26(c) in advance of his appearance, except as to the convenience of the time or place for the deposition. Thus, the general rule is that a properly served person must appear in accordance with a deposition notice or subpoena. *Id.* However, with the amendment of the rules to allow the subpoena of an unnamed deponent who must be able to testify as to particular matters concerning his company, as now provided in Rule 30(b)(6), the substantive matters into which inquiry will be made at the deposition may be revealed in advance. The deposition subpoena served on K-Flow in this case was one which specified that the deposition would be directed to the same matters as the documents and things which we have been discussing. Thus, in this case, the deposition subpoena is equally objectionable for the reasons previously given.

VI

Conclusion

For the foregoing reasons, denial of K-Flow's motion to quash the subject subpoena for discovery in its entirety constituted an abuse of discretion.

In appeal No. 89-1219, we *affirm*.

In appeal No. 89-1220, we *reverse*.

VII

Costs

Micro Motion shall pay all costs in Appeal No. 89-1219 and Appeal No. 89-1220.

AFFIRMED-IN-PART AND REVERSED-IN-PART.



Ernest M. SPURLOCK, Petitioner,

v.

DEPARTMENT OF JUSTICE,
Respondent.

No. 89-3232.

United States Court of Appeals,
Federal Circuit.

Jan. 25, 1990.

Two Border Patrol agents were demoted and suspended for allegedly violating regulation requiring agency employees to notify district director immediately when it comes to their attention that a Soviet national may be seeking asylum in the United States. On their consolidated appeal, administrative judge reversed the actions in separate initial decisions, and agency petitioned for review. The Merit Systems Protection Board, 39 M.S.P.R. 670, held that evidence supported charge against agent who interviewed Soviet seaman who deserted his ship, but agency failed to prove charge against second agent who did not participate in the interview. Agent appealed. The Court of Appeals, Cowen, Senior Circuit Judge, held that finding of the Board that agent violated regulation was not supported by substantial evidence.

Reversed and remanded.



potential buyers or sellers, or even to make it known that it holds seed for purchase by unidentified buyers. In those situations, the cooperative has actually arranged the sale. Therefore, the transaction falls outside the coverage of § 2543. The district court correctly ruled that Peoples' practice in arranging sales in this manner was not exempt under § 2543. Therefore, its conduct violated § 2541(1).

For the same reasons, Hollandale may not benefit from the farmer exemption. Because it dispensed the protected variety without notice that it was protected, it violated § 2541(6).

The crop exemption only contemplates direct sales between farmers without the active participation of a third party. Peoples and Hollandale violated the Act. The judgment appealed from is affirmed. The district court must now determine the proper remedy.

Affirmed and Remanded for Further Proceedings.



**PAUL KADAIR, INC., d/b/a Paul
Kadair's Home & Commercial
Audio, Plaintiff-Appellant,**

v.

**SONY CORPORATION OF AMERICA,
et al., Defendants-Appellees.**

No. 80-3972.

United States Court of Appeals,
Fifth Circuit.

Jan. 3, 1983.

In an action under the first section of the Sherman Act, plaintiff appealed from an adverse summary judgment of the United States District Court for the District of Louisiana at Baton Rouge, Frank J. Polozo-

la, J., 88 F.R.D. 280. The Court of Appeals, Jerre S. Williams, Circuit Judge, held that: (1) relatively short period of delay in seeking discovery and trial court's stay of general discovery throughout proceeding, absent court permission, save for first month following plaintiff's filing of its original complaint, were factors weighing most heavily against denial of discovery followed by dismissal of complaint, but stay did not excuse total lack of discovery attempts during relevant one-year period and, under all circumstances of case, including fact that complaint despite two amendments remained wholly conclusory, there was no improper curtailment of discovery; (2) trial judge was not to be faulted for not doing more to solicit discovery by plaintiff and to warn of possible consequences should discovery not be promptly initiated; and (3) where entire record revealed that judge after final discovery request felt that plaintiff had been given its last chance to justify discovery and had failed, it was not necessary to rule on discovery motion before granting summary judgment motion against plaintiff.

Affirmed.

1. Monopolies ⇐ 12(1.14), 17(2.2)

Company acting unilaterally has right to select its customers and to refuse to sell its goods to anyone for reasons sufficient to itself, and proof of parallel behavior alone does not establish prima facie case of violation of the Sherman Act. Sherman Anti-Trust Act, § 1, 2, 15 U.S.C.A. §§ 1, 2.

2. Federal Civil Procedure ⇐ 2484

To withstand motion for summary judgment in antitrust case, plaintiff must come forward with significant probative evidence supporting its theory of conscious parallelism with some "plus" factor which tends to indicate that asserted unilateral behavior was not such in fact. Sherman Anti-Trust Act, § 1, 2, 15 U.S.C.A. §§ 1, 2.

3. Federal Civil Procedure ⇐ 1852

Federal Courts ⇐ 812

Grant or denial of continuance pursuant to rule and order to proceed with dis-

covery rests within discretion of district court, exercise of which is to be disturbed on appeal only if decision reflects abuse of that discretion. Fed.Rules Civ.Proc. Rule 56(f), 28 U.S.C.A.

4. Federal Civil Procedure ⇌ 1261

Discovery prior to ruling on motion for summary judgment may be cut off when record shows that requested discovery is not likely to produce facts needed by plaintiff to withstand motion for summary judgment. Fed.Rules Civ.Proc. Rule 56(e, f), 28 U.S.C.A.

5. Federal Civil Procedure ⇌ 1267

District judge may exercise his discretion to prevent plaintiff from burdening defendants with needless round of discovery in frivolous lawsuit. Fed.Rules Civ.Proc. Rule 56(e, f), 28 U.S.C.A.

6. Federal Civil Procedure ⇌ 1271

Discovery may be limited if dilatorily sought, and what is "dilatory" depends upon particular posture of the case presented. Fed.Rules Civ.Proc. Rule 56(f), 28 U.S.C.A.

7. Federal Civil Procedure ⇌ 1271

Factors deemed relevant in determining whether discovery was dilatorily sought, listed. Fed.Rules Civ.Proc. Rule 56(f), 28 U.S.C.A.

8. Federal Civil Procedure ⇌ 1271

Relatively short period of delay in seeking discovery and trial court's stay of general discovery throughout proceeding, absent court permission, save for first month following plaintiff's filing of its original complaint were factors weighing most heavily against denial of discovery followed by dismissal of complaint, but stay did not excuse total lack of discovery attempts during relevant one-year period and, under all circumstances of case, including fact that complaint despite two amendments remained wholly conclusory, there was no improper curtailment of discovery. Fed.Rules Civ.Proc. Rule 56(f), 28 U.S.C.A.

9. Federal Civil Procedure ⇌ 1261

Trial judge was not to be faulted for not doing more to solicit discovery by plaintiff and to warn of possible consequences should discovery not be promptly initiated. Fed.Rules Civ.Proc. Rule 56(f), 28 U.S.C.A.

10. Federal Civil Procedure ⇌ 2553

Where entire record revealed that judge after final discovery request felt that plaintiff had been given its last chance to justify discovery and had failed, it was not necessary to rule on discovery motion before granting summary judgment motion against plaintiff. Fed.Rules Civ.Proc. Rules 56, 56(e, f), 56 note, 28 U.S.C.A.

Henry L. Klein, New Orleans, La., for plaintiff-appellant.

Bernus Wm. Fischman, Lackshin & Nathan, Houston, Tex., for L.J. Paul & Associates.

Fenwick, Stone, Davis & West, Edmond C. Gregorian, Richard E. Levine, Palo Alto, Cal., for U.S. Pioneer Electronics.

Michael O'Keefe, Benjamin R. Slater, Jr., New Orleans, La., Hoken S. Seki, Chicago, Ill., for Melco Sales, Inc.

Richard B. Nevils, Baton Rouge, La., for Kadair's Sight & Sounds, Inc.

Chaffe, McCall, Phillips, Toler & Sarpy, Corinne Ann Morrison, New Orleans, La., for Dahlquist, Inc. & Tobias & Co.

Adams & Reese, Sam A. LeBlanc, III, New Orleans, La., for Bang & Olufsen of America.

Rosenmann, Colin, Freund, Lewis & Cohen, Marc Rowin, Asa D. Sokolow, New York City, Wallace A. Hunter, Baton Rouge, La., for Sony of America.

Dyer & Funderburk, Robert C. Funderburk, Baton Rouge, La., for Art Colley's Audio.

Breazeale, Sachse & Wilson, Gordon A. Pugh, Baton Rouge, La., for Marantz, Inc. and Superscope, Inc.

Phelps, Dunbar, Marks, Claverie & Sims, Rutledge C. Clement, Jr., Margaret Ann Brown, New Orleans, La., for U.S. Pioneer Electronics Corp.

Taylor, Porter, Brooks & Phillips, Fredrick R. Tulley, Baton Rouge, La., for Dobbs-Stanford & Yamaha Intern. Corp.

Hillis, Phillips, Cairncross, Clark & Martin, Mark S. Clark, Seattle, Wash., for Ogden Park, Phase Linear, Bose Corp.

Sanders, Downing, Kean & Cazedessu, William R. D'Armond, George K. Anding, Jr., Baton Rouge, La., for Mill-Tronics, Miller & Assoc., Inc. and Plessey, Inc.

Stone, Pigman, Walther, Wittmann & Hutchinson, Phillip A. Wittmann, James C. Gulotta, Jr., New Orleans, La., for Kenwood Electronics.

Jack C. Benjamin, New Orleans, La., for McIntosh Laboratory, Inc.

Cooper & Thompson, Baton Rouge, La., Gerald E. Fogerty, New York City, for Thorens Corp., and Elpa Marketing.

McCullister, McCleary, Fazio, Mixon & Holliday, Neil H. Mixon, Jr., Baton Rouge, La., for Crown Intern.

Appeal from the United States District Court for the Middle District of Louisiana.

Before GARZA, TATE and WILLIAMS, Circuit Judges.

JERRE S. WILLIAMS, Circuit Judge.

The issue presented by this appeal is a narrow, yet difficult one given the peculiar

1. Because some defendants were named in the caption of Kadir's complaint but not in the body, and vice versa, and because some defendants were dismissed from the suit shortly after the complaint was filed, it is difficult to derive an exact head count of the defendants in this action. The court below listed the following 41 manufacturers, manufacturers' representatives/distributors and retailers of stereo equipment as defendants. The 21 manufacturers listed as defendants were Tandberg of America, Inc., Advent, Inc., Scientific Audio Electronics, Inc., Phillips Hi-Fi, Inc., Klipsch and Associates, Inc., Bozak, Inc., McIntosh Laboratory, Inc., Thorens Corporation of America, Sony Corporation of America, Bang and Olufsen of America, Inc., Crown International, Inc., Kenwood Electronics, Inc., Altec Corporation, Phase Linear Corporation, Bose Corporation, Plessey, Inc., Superscope, Inc., Marantz Company, Inc., Dahlquist, Inc., U.S. Pioneer Electronics Corporation, and Yamaha International Corporation. The following 14 manufacturers' representatives/distributors were listed as defendants: Corenswet, Inc., AFCO Electronic

posture and particular facts of the case as developed in the court below. Specifically: did the district court abuse its discretion in denying appellant's request for discovery, pursuant to Fed.R.Civ.P. 56(f) affidavits, on the ground of dilatoriness, followed by the dismissal of appellant's conclusory complaint under Section 1 of the Sherman Act, 15 U.S.C. § 1, alleging an unlawful concerted refusal to deal. Although a partial stay of discovery was in effect for all but one month of the proceedings below, we do not find this fact to signal an abuse of discretion in light of four factors: (1) the limited nature of the stay, (2) the district court's orders concerning discovery during the litigation, (3) appellant's repeated inability to provide both specific facts in its complaint and to frame focused discovery requests in its Rule 56(f) affidavits, and (4) appellant's failure to seek any meaningful discovery for more than a year after filing its complaint.

Proceedings Below

Appellant Paul Kadir, Inc., a stereo retailer, filed this antitrust action on March 2, 1978 against a total of over forty manufacturers, manufacturers' representatives/distributors and retailers of stereo equipment.¹

Sales Corporation, Texport Sales Company, Sullivan and Associates, Inc., Elpa Marketing Industries, Inc., Charles Lucas Sales Company, Wyborne Sales Company, Al Maskau and Associates, Inc., Rep-Tech, Inc., Melco Sales, Inc., Miller & Associates, Inc., L.J. Paul & Associates, Inc., Tobias and Company, and Dobbs-Stanford of Texas Corporation. The six retailers named were: H.J. Wilson, Inc., Savard Sound System, Inc., New Generation, Inc., Kadir's, Inc., Art Colley's Audio Specialties, Inc., and Ogden Park Record Shop, Inc.

A number of the above parties were dismissed as defendants in the suit, prior to the district court's grant of summary judgment which is the subject of this appeal. No issue is taken with these prior dismissals: Tandberg of America, Inc., Advent, Inc., Scientific Audio Electronics, Inc., Phillips Hi-Fi, Inc., Klipsch and Associates, Inc., Corenswet, Inc., AFCO Electronic Sales Corporation, Texport Sales Company, Sullivan and Associates, Inc., H.J. Wilson, Inc., Savard Sound System, Inc., and New Generation, Inc.

Appellant alleged that the above defendants had engaged in a conspiracy, in violation of Section 1 of the Sherman Act, pursuant to which defendant manufacturers refused to sell their products to appellant.² 15 U.S.C. § 1. After twice amending its complaint, pursuant to district court order, appellant remained unable to plead any specific facts tending to support its conclusion of conspiracy as alleged.

Defendant-appellees on November 30, 1978, renewed previously-made motions and also made new motions to dismiss or for summary judgment pursuant to Fed.R. Civ.P. 56(e)³ against the Second Amended Complaint. These motions addressed the legal sufficiency of the complaint and alleged that appellant failed to comply with the court's orders to plead specific facts concerning the alleged conspiracy. Some defendant-appellees submitted affidavits

2. Other antitrust violations were alleged in the complaint but were later voluntarily withdrawn: 1) monopolization of the Baton Rouge high quality, sophisticated home electronic audio equipment market, in violation of § 2 of the Sherman Act, 15 U.S.C. § 2, 2) tying of undesirable purchases to the sale of more desirable products, as prohibited by § 3 of the Clayton Act, 15 U.S.C. § 14; and 3) price discrimination in violation of § 2 of the Robinson-Patman Act, 15 U.S.C. § 13. The latter two allegations of impermissible tying and price discrimination were levied against a limited number of defendants.

3. Rule 56(e) provides:

(e) **Form of Affidavits; Further Testimony; Defense Required.** Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated therein. . . . The court may permit affidavits to be supplemented or opposed by depositions, answers to interrogatories, or further affidavits. When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of his pleading, but his response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial. If he does not so respond, summary judgment, if appropriate, shall be entered against him.

4. Defendant Ogden Park averred that appellant carried the Phillips line of stereo products (Phillips having been named as a defendant in

denying participation in the alleged conspiracy to boycott: the defendant manufacturers and distributors who were manufacturers' representatives averred that any refusals to deal with appellant were unilateral decisions made for independent business reasons, including the plaintiff's poor credit status, plaintiff's failure to complete or submit required applications, the poor appearance of plaintiff's store, and adequate sales representation of defendant's products by other retailers. Others submitted affidavits pointing out that they had in fact sold products to appellant,⁴ while others noted that they had dealt with and then terminated business dealings with the alleged instigator of the boycott, Kadair's, Inc.⁵

In opposition to these motions, in January, 1979, appellant submitted a Fed.R. Civ.P. 56(f) affidavit⁶ which did not come

the caption of the original complaint, although omitted from the body) and had advertised itself as having the "[l]argest inventory and selection" of audio equipment in Baton Rouge.

5. Appellant's principal and owner, Paul Kadair, had been employed by his uncle's company, defendant Kadair's, Inc., before he began his own company. Apparently, some sort of family feud erupted occasioning a parting of the ways between Paul Kadair and his clan. This ill will allegedly inspired the boycott herein complained of, with Kadair's, Inc. as the instigator.

6. Rule 56(f) provides:

(f) **When Affidavits are Unavailable.** Should it appear from the affidavits of a party opposing the motion that he cannot for reasons stated present by affidavit facts essential to justify his opposition, the court may refuse the application for judgment or may order a continuance to permit affidavits to be obtained or depositions to be taken or discovery to be had or may make such other order as is just.

Appellant's affidavit, in its entirety, stated:

Paul Kadair, Inc., d/b/a Paul Kadair's Home and Commercial Audio, is unable as of present to present certain facts by affidavit which can be utilized to oppose the affidavits submitted on behalf of the various defendants for the following reasons:

1. Plaintiff has not had the opportunity to discover the market performance of the manufacturers' products in order to properly evaluate whether or not defendant manufacturers and manufacturers' representatives acted contrary to their economic interests;

to the court's attention until an April 27th hearing on appellees' motions.⁷ At the April 27th hearing appellant's counsel admitted the lack of specific evidence of conspiracy,⁸ and sought a continuance to seek discovery in order to gather such evidence. In response to the court's invitation to submit additional material by May 4, 1978, appellant filed a supplemental Rule 56(f)

affidavit claiming the need for discovery since knowledge and control of the facts underlying the conspiracy claim were largely in the hands of defendants, appellant had been unable to obtain information by means of personal interviews, and it had no other means of refuting appellees' allegations as made in their affidavits filed pursuant to Rule 56(e).⁹

2. Plaintiff has not had the opportunity to discover the criteria and standards utilized by the defendant manufacturers and manufacturers' representatives in determining the following: (a) credit-worthiness of a prospective franchisee; (b) suitable business acumen of a prospective franchisee; (c) the required type of business premises for the granting of a franchise to a prospective franchisee.

7. Apparently, appellant attached the affidavit to a brief which was not part of the record, rather than file it in the record. Appellant did not otherwise call the court's attention to its submission. In any event, it is clear that this affidavit was not noticed by the court until the April 27th hearing on appellees' motions.

8. The transcript of the April 27th hearing reveals the following exchanges between the court and appellant's counsel:

THE COURT: What evidence do you have now?

MR. KLEIN: I have no evidence.

THE COURT: Of conspiracy, other than what you think may have happened?

MR. KLEIN: No evidence. I remember saying that at the meeting,—I don't know—the October meeting or whenever it was when we met in the large courtroom, I told your Honor at this present time I have no evidence other than the fact that we had uniform refusals to deal by the majority of the major manufacturers to a retailer who had acumen despite the fact that the affidavits say they weren't so sure that he was a good—that he knew how to handle the products and despite the fact that he had creditworthiness at the time, and despite all of these facts. And from that, we drew the conclusion and I think we must draw some conclusions. If we had not said this is a conspiracy, the motion to dismiss would be failure to state a claim.

* * * * *

THE COURT: Before you tell me what you're going to do, tell me what you are doing. Is there in the record significant probative evidence, as the Courts have used that term to overcome the affidavits that the defendants have already filed? I'm talking about the defendant manufacturers now?

MR. KLEIN: I understand.

THE COURT: Is there enough in there where I can infer the existence of the conspiracy as compared to no conspiracy?

MR. KLEIN: Well, no, I think as the record presently stands, I think it is fair to say that we have said we have been refused to deal and we're suspicious that the refusal was not unilateral. And the defendants have come forth and said, "Oh, no, no. They're unilateral. We did it all by ourselves. We didn't meet, conspire or deal with anyone and we deny the conspiracy." ... So I think that as the present record stands, if your Honor does not allow me discovery on the areas which we have set forth in our affidavit which we talked about in the briefs, I don't know—I don't know that I could reverse you quite as easily. I'd have a tougher time.

Appellant's counsel thus recognized that absent the fact of appellees' allegedly parallel behavior, and the reasonable inferences which might be drawn therefrom, appellant offered no facts in support of its allegations of conspiracy. In accordance with our discussion, *see note 27 infra*, we agree with the district court that appellant's conclusory allegations of conspiracy and of appellees' parallel behavior were insufficient to withstand the motions for summary judgment, which were supported by uncontroverted Rule 56(e) affidavits, averring facts to the contrary.

9. The additional averments included therein were:

IV.

Paul Kair, Inc. is desirous of, and is entitled to, take discovery in the form of oral depositions and written interrogatories of each person or entity making an affidavit in support of the various motions filed herein.

V.

Paul Kair, Inc. has no other way of effectively cross-examining and/or refuting the allegations made by the various affiants who filed affidavits in support of the pending motions for summary judgment.

VI.

The knowledge and control of the facts relating to (i) denials of conspiracy, (ii) the reasons for refusing to deal and (iii) the interchange of information about my efforts to obtain a representative cross-section of merchandise is largely within the moving parties themselves.

VII.

Thereafter, by order dated July 6, 1979, the court stated that it did "not believe there is sufficient evidence in the record to make a determination of whether the plaintiff should be allowed additional time to take depositions or file affidavits in opposition to defendants' motions." It ordered appellant to submit specific information concerning the discovery requested.¹⁰ In response to the court's order, appellant requested on August 6, 1979, that it be permitted to depose fifteen named individuals, associated with twelve of the defendants, concerning:

- a) the nature of the Baton Rouge retail home stereo equipment market; b) the relationships between the manufacturer's representatives and the retailers in the Baton Rouge area; c) the requirements set by the manufacturer's representatives

Paul Kadair, Inc. has been unable to obtain information by personally questioning the various manufacturers' representatives or retailers and have been rebuffed, side-tracked and ignored when attempting to obtain information relative to the refusals. The only effective way to examine the issues of conspiracy and obtain information known to the defendants is through an orderly discovery procedure in this litigation.

10. The information requested by the court included:

- (1) The name of each person whose deposition is to be taken, the motion or motions in which the deposition is to be used, and the nature of the testimony sought to be elicited from the deponent.
- (2) The names of persons whose affidavits shall be obtained, the motion or motions in which the deposition is to be used, and the nature of the information to be set forth in the affidavit.
- (3) The nature of any other discovery to be undertaken, and the purpose for which it is to be used.
- (4) The reason why the discovery now being requested was not requested earlier.

11. Specifically, appellant sought:

- a) Written interrogatories propounded to each of the defendant manufacturers and manufacturer's representatives concerning the nature, type and kind of agreements between the defendant manufacturers and the manufacturer's representatives regarding distribution of the manufacturer's products in the Baton Rouge area;
- b) Written interrogatories to the defendant manufacturers concerning the nature, type and kind of agreements between them and

in determining whether or not a retailer is capable of distributing a manufacturer's product; d) the methods utilized by the manufacturer's representatives in evaluating an applicant/retailer's ability to adequately market a manufacturer's product; and e) the nature of communications and contacts between the manufacturer's representative and the manufacturer which it represents and the retailers in the Baton Rouge market.

Appellant also sought permission to serve interrogatories upon the manufacturers and manufacturers' representatives, concerning the nature, type and kind of agreements existing within each manufacturer's distribution scheme and the identity and business qualifications of various members of that scheme.¹¹ Finally, appellant submitted a

their retail distributors in the Baton Rouge area;

c) Written interrogatories to the defendant manufacturers concerning: (i) the criteria and requirements set by the manufacturers to which a retailer must conform in order to obtain a manufacturer's product; and (ii) the type of limitations and/or restrictions inherent in the defendant manufacturer's distribution system.

In this context inquiries will also be made into the role played by the manufacturer's representatives in determining whether or not an applicant/retailer is qualified to distribute a manufacturer's product.

d) Written interrogatories to the defendant manufacturers and the defendant manufacturer's representatives concerning the methods utilized by the manufacturer's representatives in evaluating a retailer's ability to adequately market a manufacturer's product;

e) Written interrogatories to each of the defendants concerning the method and nature of communications in the Baton Rouge area regarding and relating to the marketing and distribution of a manufacturer's product on the retail level in the Baton Rouge area, between: 1) the manufacturer and its retailer(s); 2) the manufacturer and its manufacturer's representative(s); and 3) the manufacturer's representative and the retailer.

* * * * *

h) Written interrogatories to each of the defendant manufacturers requesting the following information from 1974 to the present: 1) the identity of the manufacturer's representative for each of the above years; 2) the name of each of the retailers of the manufacturer's products in the Baton Rouge area for each of the years set forth above; 3) a de-

document production request for information as to the manufacturers' marketing goals and yearly sales.

Appellant averred that its interrogatory and document requests were

designed to meet the motions by the manufacturers, manufacturer's representatives, and retailers in which they claim that: (i) no non-business discrimination was exercised in their discretionary action; (ii) plaintiff was unqualified to distribute the manufacturer's products; and (iii) that there were other qualified and capable retailers in the area which also met the marketing requirements of a manufacturer.

Appellant explained that these requests were not made earlier as "the Court had ruled out all discovery up until motions for summary judgments were presented."¹²

Appellees objected to appellant's proposed discovery. At this time, the court took the matter under advisement. Subsequently, the court granted appellees' motions for summary judgment, simultaneously denying appellant's request for discovery.¹³

scription of the business qualifications of each of the retailers listed above; and 4) in what manner each retailer met the criteria and the qualifications required.

12. At the prior hearing, on April 27, 1979, appellant's counsel had characterized the court's position on discovery, alternatively, as either prohibiting only generalized discovery or as a blanket prohibition, the latter as averred in the August 6th affidavit. At this hearing, as in the affidavit, appellant relied upon its interpretation of the court's position with regard to discovery in explanation of its delay. Appellant's counsel specifically denied that his workload had contributed to the delay. At oral argument before this Court, however, appellant's counsel stressed the fact that he had been kept so busy during the course of the litigation that he could not reasonably have undertaken any discovery—pursuant to the Federal Rules or otherwise—prior to the time that he did.

13. Approximately one year elapsed before the submitted matter was decided by the court.

District Judge Polozola initially supervised this action as a United States Magistrate. Upon his appointment as a district judge, the case was transferred to him in his new capaci-

The district court relied upon the following findings and reasoning in granting appellees' motions: (1) appellees' moving affidavits demonstrated that their decisions not to deal with plaintiff, if made at all, were made unilaterally;¹⁴ (2) appellant's opposing affidavits failed to either controvert appellees' affidavits or present any significant probative evidence of conspiracy;¹⁵ (3) appellant admitted that it had no evidence of a conspiracy;¹⁶ and (4) unilateral refusals to deal were not violative of the Sherman Act, citing *United States v. Colgate & Co.*, 250 U.S. 300, 39 S.Ct. 465, 63 L.Ed. 992 (1919) and its progeny. The court also elaborated upon its refusal to exercise its discretion to grant appellant Rule 56(f) discovery on the grounds that appellant had been dilatory in requesting discovery, had failed to comply with the court's orders, and because the discovery sought amounted to a "fishing expedition":

In exercising the discretion afforded to this Court in denying plaintiff's Rule 56(f) request, the Court concludes that: (1) the plaintiff has failed to make a timely request for discovery in that he has not, at any point in these proceedings, initiated any means of discovery or re-

ty. The parties were so informed in August 1980, and Judge Polozola's decision was handed down on October 31, 1980. 88 F.R.D. 280.

14. The court recognized:

The affidavits filed by the defendants in support of their individual motions for summary judgment clearly state that the defendants' refusal to deal with the plaintiff were unilateral decisions based on various reasons other than a concerted conspiracy. Each of the defendants' reasons for refusing to deal with the plaintiff are set forth in the affidavits filed in the record of this case.

15. The court stated:

In response to the motions filed herein, the plaintiff has filed an identical affidavit as to each defendant wherein the plaintiff infers that a conspiracy exists. The plaintiff has not set forth any specific allegations which would in any way support his contention that the defendants conspired together in a concerted effort to refuse to deal with the plaintiff.

16. See note 8 and the accompanying discussion *supra*.

quested that the Court allow him to obtain any relevant information or significant probative evidence;

(2) despite two court orders and at least one extension of time, the plaintiff has failed to fully and properly amend his complaint so as to allege specific facts tending to show the existence of antitrust violations;

(3) a continuance pursuant to Rule 56(f) in order to allow discovery would be nothing more than an abuse of the purpose of the rule. Since the plaintiff has failed to set forth specific requests for discovery, despite an order to do so, the Court will not sanction a proverbial fishing expedition designed to grasp at whatever may be uncovered by such unfettered discovery practices.

We can perceive no possible error in the district court's findings of fact or conclusions of law¹⁷ but for the question of its denial of appellant's Rule 56(f) discovery request. After careful examination of the record below in regard to the issue of discovery, we find that the district court did not abuse its discretion in denying appellant's request. We set out in detail the

17. The district court, for example, correctly observed that unilateral refusals to deal do not violate the federal antitrust laws. See note 27 *infra*.

18. As we discuss *infra*, we find that these orders provided notice to appellant that discovery could and should have been undertaken. In addition to its rather detailed directions with regard to the complaint's inadequacies, the court discussed the summary judgment motions already made by some defendants, withheld a ruling on the motions, and invited resubmission in accordance with Fed.R.Civ.P. 56 pursuant to a timetable set out therein commencing with appellant's filing of his second amended complaint.

Appellant cites the court's recognition in the second order that "plaintiff has not had an opportunity to fully develop his case through discovery" as erroneous—inasmuch as no discovery had been undertaken—and as an admission of sorts—that it was not provided an adequate opportunity for discovery. We disagree with the appellant's proffered interpretation of the district court's observation. When the comment is read in context, it is clear that the district court was merely telling appellant that its conclusory complaint remained inadequate and, while appellant's lack of an opportunity

specific discovery posture of the case prior to the district court's grant of summary judgment before turning to a discussion of the district court's ruling.

Discovery Chronology

Appellant filed its original complaint on March 2, 1978. It was twice amended, pursuant to court orders shortly before the amendments, on July 7, 1978, and September 29, 1978. Both court orders for further amendment stressed appellant's failure to allege specific facts tending to show a conspiracy among the named defendants. The court, in its second order, recognized that "while . . . the plaintiff has not had an opportunity to fully develop his case through discovery, the plaintiff cannot rely on broad general statements as was done in the amended complaint, particularly in regard to the allegations pertaining to the retailers and the relationship between the manufacturers' representatives and the manufacturers."¹⁸

Approximately one month after the filing of the initial complaint, on April 12, 1978, the district court, *sua sponte*, stayed all discovery pending a status conference

for full-blown discovery would moderate the court's expectations as to the degree of specificity required, that factor would not totally negate the need for specific factual allegations. When thus interpreted, we find the district court's observation quite correct and proper.

We also note that this comment, if anything, supports our conclusion, *infra*, that the court was not inhospitable to discovery requests *per se*, but rather merely sought to retain control over the discovery process which, in this multi-partied antitrust suit, might otherwise become unmanageable. We believe that this comment, in combination with other references in the order to discovery by defendants, demonstrates that the facially limited stay was in fact so intended, and as appellant reasonably should have understood it to be. Since, prior to its Rule 56(f) affidavit, appellant had not sought any significant discovery—pursuant to the Federal Rules or otherwise—we can only judge the court's actual hospitality to discovery by considering the less direct statements it made during the course of the proceedings below. Thus we find, upon reviewing the entire record before us, and as developed *infra*, that the district court neither in fact nor in appearance sought to discourage controlled discovery.

which was simultaneously set for May 18, 1978.¹⁹ In that same order, the court advised "that at the status conference . . . the Court will set forth discovery guidelines [and] procedures for scheduling motions and discovery. . . ." After a postponement, the status conference was held on June 8, 1978.

As later explained by the trial court in its decision on appeal, the stay had been ordered for appellant's benefit:

In order to protect the plaintiff from a barrage of paper work resulting from the numerous parties who have been named as defendants herein, the Court stayed all discovery proceedings on May 4, 1978 and set a status conference on June 8, 1978.

* * * * *

At the outset of this litigation, the Court stayed discovery so that all parties could answer and file motions without the plaintiff being bombarded with multiple discovery requests.²⁰

At the June 8, 1978 status conference, the court issued a pre-trial order which set out comprehensive rules for the conduct of discovery. While the order began with a terse preclusion of general Rule discovery without application to the court—"[a]ll discovery . . . is hereby stayed pending further orders of this Court"—it was followed

19. The stay order came on the heels of one defendant's notice to depose appellant and appellant's counsel, on April 4, 1978. At this time, none of the defendants had answered and only one defendant had moved against the complaint. In its April 12th order, the district court stayed the notice of depositions "until further orders of this Court."

20. The trial court similarly characterized the purpose of that stay during the course of the summary judgment hearing of April 27, 1979, at which appellant's desire for discovery was first brought to the court's attention.

21. In its opinion granting summary judgment, the court observed:

In anticipation of the October 12, 1978 status conference, the Court, on October 2, 1978, issued an order instructing the parties to be prepared to discuss, among other matters, "whether any discovery will be needed to file evidence in support of or in opposition to the pending motions." The plaintiff failed to notify the Court that he needed any discovery in order to file an opposition to the defendants' pending motions. When the conference

by an elaborate scheme for controlled discovery. For example, one week per month beginning in November 1978 was set aside for discovery, limits were placed on the number of interrogatories which could be served, duplicate discovery was prohibited, a procedure was created for avoiding disputes over document production and special provision was made for the handling of confidential information. The court emphasized: "No formal discovery allowed by the Federal Rules of Civil Procedure shall be permitted except by leave of Court." The district court also scheduled a second pre-trial conference for October 12, 1978.

As a prelude to this second conference, the court presented in a minute entry the agenda of matters for the parties' consideration. Among the topics which the parties were to be "prepared to discuss" was "whether any discovery will be needed to file evidence in support of or in opposition to the pending motions." Despite the pendency of motions for summary judgment on behalf of the defendants, before and at the conference appellant failed either to raise the issue of or profess any need for discovery.²¹

Subsequently, after new Rule 56(e) motions for summary judgment were filed by

was held on October 12, 1978, no formal request for discovery was made by the plaintiff nor was there any request filed by the plaintiff for an extension of time in which to facilitate discovery.

* * * * *

Prior to, and at, the conference, the plaintiff made no mention whatsoever of his need for discovery, nor did the plaintiff request leave of Court to engage in any discovery of any kind.

Appellant argues that it could not be faulted for its failure to raise the issue of discovery at the October 12th conference as defendants' November 30th motions had not yet been made, and hence the district court's order to discuss whether discovery was needed "to file evidence . . . in opposition to the pending motions" was inapplicable. We disagree with appellant's rigid interpretation of the court's directive, particularly in light of other, prior motions to dismiss by defendants which were pending on October 4th and which provided appellant ample notice that its conclusory complaint would be met by further, more elaborate motions for summary judgment.

defendants on November 30, 1978, in response to appellant's second amended complaint, appellant filed a Rule 56(f) affidavit on January 5, 1979 which averred that appellant could not present facts in opposition to defendants' motions because it "has not had the opportunity to discovery . . . [whether defendants] acted contrary to their economic interests."²² This brief affidavit was not brought to the court's attention for almost four months when, at the April 27, 1978, hearing on defendants' motions, appellant raised the affidavit in defense.²³ In the interim, appellant had not sought any significant discovery.²⁴

At and after the April 27th hearing, with the stay on formal discovery absent court

As summarized above, see note 18 and accompanying discussion *supra*, the court's order of September 6, 1978 directed appellant to file a second amended complaint and withheld a decision on defendants' then-pending motions for summary judgment until the filing of this amendment. The court therein set up a timetable for these motions to be renewed, which postdated the October 12th conference, and admonished the defendants to prepare motions which would satisfy the requirements of Fed.R. Civ.P. 56. Although these renewed motions, with their detailed Rule 56(e) affidavits, were not before the court at the time of the October 12th conference, the court's order of September 6th had been issued. Given the pendency of defendants' pre-November motions, and the court's findings of September 6th with regard to both appellant's conclusory complaint and defendants' pending motions, appellant may not be heard to complain that it neither could nor should have known that the discovery discussion invitation applied to its situation as of the October 12th conference.

22. Note 6, *supra*, sets out the affidavit's contents.

23. See note 7 *supra*.

24. In its opinion of October 31, 1979, the district court found that appellant "failed to take any affirmative steps to institute discovery or uncover facts which might tend to show the existence of a conspiracy."

The only formal Rule discovery sought by appellant, at any time during the pendency of the litigation, was a "Request for Inspection of the Premises by the Court" filed during this four-month period on January 15, 1979 and denied by the court on the same date. This motion read in its entirety:

order still in effect, the court twice directed appellant to be more specific in its discovery requests, and to explain the purpose of and justification for the delayed requests.²⁵ After appellant's second attempt to satisfy the court's order for further explanation, the case was taken under advisement. One year later,²⁶ with the discovery stay still in effect, the court issued its order granting defendant's motions for summary judgment. This order is the subject of the immediate appeal.

Adequate Opportunity for Discovery?

[1, 2] As we conclude above, but for the question of the adequacy of the discovery opportunities permitted appellant, the dis-

NOW INTO COURT, through undersigned counsel, comes plaintiff, Paul Kadair, Inc. d/b/a Paul Kadair's Home and Commercial Audio, and formally requests that, in connection with the pending Motions for Summary Judgment and to Dismiss, the Court make a personal inspection of the premises of Paul Kadair, Inc. d/b/a Paul Kadair's Home and Commercial Audio at 4773 Convention Street, Baton Rouge, Louisiana.

The reason for this request is based on allegations by the defendants, which taken as a whole, indicate that plaintiff's business is not worthy of being dealt with.

Plaintiff feels that its business is impressive, well run and exemplary in every respect and that the Court should acquaint itself with the premises and receive a "tour" thereof prior to ruling on the pending motions.

The only other allegations of discovery attempts appear in appellant's supplemental Rule 56(f) affidavit of May 3, 1979, in explanation of appellant's inability to obtain information from defendants through more informal non-Rule means, *i.e.*, that appellant had been "rebuffed, side-tracked and ignored when attempting to obtain information relative to the refusals [to deal]." See note 9 *supra*. The district court implicitly discredited or discounted any attempts alleged therein in concluding that appellant failed to initiate any discovery during the pendency of the litigation. In the record before us, appellant specifies none of the claimed frustrated attempts allegedly made. Accordingly, we cannot find that the district court erred in finding that appellant had not sought any significant discovery.

25. See notes 9-12 and the accompanying discussion *supra*.

26. See note 13 *supra*.

trict court's grant of summary judgment clearly was proper.²⁷ Although summary judgment procedures "should be used sparingly in complex antitrust litigation where motive and intent play leading roles," *Polner v. Columbia Broadcasting System, Inc.*, 368 U.S. 464, 473, 82 S.Ct. 486, 491, 7 L.Ed.2d 458 (1962), summary judgment may be granted where a plaintiff can aver no significant probative facts in support of its conclusory allegations of conspiracy against defendants' specific averments to the contrary. *First National Bank of Arizona v. Cities Service Co.*, 391 U.S. 253, 88 S.Ct. 1575, 20 L.Ed.2d 569 (1968); *Parsons v. Ford Motor Co.*, 669 F.2d 308 (5th Cir.), cert. denied, — U.S. —, 103 S.Ct. 73, 74 L.Ed.2d 72 (1982); *Aviation Specialties,*

Inc. v. United Technologies Corp., 568 F.2d 1186 (5th Cir.1978); *Solomon v. Houston Corrugated Box Co.*, 526 F.2d 389 (5th Cir. 1976); Fed.R.Civ.P. 56(e), (f) and Adv. Comm. Notes. *Accord, Lamb's Patio Theatre, Inc. v. Universal Film Exchanges, Inc.*, 582 F.2d 1068 (7th Cir.1978); *Mutual Fund Investors, Inc. v. Putnam Management Co.*, 553 F.2d 620 (9th Cir.1977). In the immediate case, absent consideration of the discovery issue, appellant's complaint, which remained conclusory despite two amendments, was properly subject to summary judgment inasmuch as appellant failed to offer any significant probative evidence tending to refute appellees' specific Rule 56(e) averments substantiating the lack of a conspiratorial group boycott.²⁸

27. As correctly found by the district court, a company, acting unilaterally, has the right to select its customers and to refuse to sell its goods to anyone for reasons sufficient to itself. See, e.g., *Aviation Specialties, Inc. v. United Technologies Corp.*, 568 F.2d 1186 (5th Cir. 1978) (citing *Burdett Sound, Inc. v. Altec Corp.*, 515 F.2d 1245, 1248 (5th Cir.1975) and *United States v. Colgate & Co.*, 250 U.S. 300, 39 S.Ct. 465, 63 L.Ed. 992 (1919)). Proof of parallel behavior alone does not establish a *prima facie* case of a violation of the Sherman Act. See *Aviation Specialties, Inc. v. United Technologies Corp.*, supra, 568 F.2d at 1192. In order to avoid a motion for summary judgment, a claimant must come forward with significant probative evidence supporting its theory of conscious parallelism with, as it has often been stated, some "plus" factor which tends to indicate that the asserted unilateral behavior was not such in fact, e.g., that the decisions not to deal were contrary to defendants' economic self-interest so as to raise an issue of good faith business judgment. See *Theatre Enterprises, Inc. v. Paramount Film Distributing Corp.*, 346 U.S. 537, 74 S.Ct. 257, 98 L.Ed. 273 (1954). In the immediate case the district court properly concluded that, in light of appellees' uncontroverted averments of economically sound business reasons for their individual decisions not to deal with appellant and appellant's inability to set forth any significant probative evidence which might suggest the contrary, appellant's allegation of parallel behavior alone did not establish a *prima facie* case. Cf. *First National Bank of Arizona v. Cities Service Co.*, 391 U.S. 253, 88 S.Ct. 1575, 20 L.Ed.2d 569 (1968) (the nature of the business relationship between plaintiff and defendants—whether competitors or not—may be considered in determining whether it is more plausible to conclude either unilateral or collusive behavior; in the immediate case, while appellant's complaint swept all types of con-

cerns within its allegations, its focus in the proceedings below was upon the noncompeting defendant manufacturers and manufacturers' representatives/distributors. See note 34 and the accompanying discussion *infra*).

28. See note 27 *supra*. Paul Kadair averred that one manufacturers' representative, L.J. Paul & Associates, Inc., informed Kadair "that the competition would become 'angry' if Kadair were sold Pioneer equipment." L.J. Paul & Associates presented affidavits which denied this averment and explained that: (1) as representative it merely took orders within its territory for the various, competing manufacturers it represented, trained retailers' new salesmen, and performed other informational services; (2) it did not act as a distributor or wholesaler, and accordingly did not inventory stereo equipment; (3) it did not function to approve or disapprove a request by a retailer to be franchised for a given product, a function which was performed exclusively by each manufacturing company; (4) it informed Kadair, who was already franchised to sell other brands L.J. Paul represented, how and where to apply for a U.S. Pioneer franchise; and (5) it was never called upon by U.S. Pioneer to express any opinion as to Kadair's credit-worthiness, as was the occasional practice of the manufacturers, although if called upon it saw "no reason" not to recommend Kadair for franchise approval. Affidavits presented on behalf of U.S. Pioneer confirm L.J. Paul's characterization of the manufacturer-representative relationship and the fact that U.S. Pioneer alone controlled the franchise-approval process. Further, U.S. Pioneer's affidavits aver that Kadair never completed his credit application, and hence no action was taken on Kadair's franchise request in accordance with standard practice.

In light of L.J. Paul and U.S. Pioneer's affidavits, viewed together with the record before us,

As to the sufficiency of discovery opportunities, the district court held in denying appellant discovery pursuant to the latter's Rule 56(f) request:

This Court has serious doubts that the plaintiff has met the formal requirements of Rule 56(f) which requires that the plaintiff's affidavit set forth with sufficient particularity the controverting facts that he expected to educe from the discovery which he sought and that those controverting facts would have created a genuine issue of fact sufficient to forestall the summary judgments which have been filed by the defendants. However, assuming *arguendo* that plaintiff's motion did meet the formal requirements of Rule 56(f) and that his 56(f) affidavits alleged with sufficient particularity the controverting facts that he expected to obtain from the discovery which he sought and that those controverting facts would have created a genuine issue of fact sufficient to forestall the summary judgment, the Court must determine whether or not in the exercise of discretion afforded to it plaintiff should be granted a continuance to obtain additional discovery in this case.

we do not find that Kadair's averment, that L.J. Paul refused to deal with it as the competition would become "angry," represents any specific, significant probative evidence of conspiracy. This is the sole specific averment by appellant in the record although specific evidence was requested over and over by the court. It is an ambiguous statement, attributed to one of over forty-named defendants. It does not ring true given L.J. Paul's peculiar and limited role in the distribution scheme. It was so *de minimis* as to be properly discounted by the court below in reaching its conclusion that Kadair failed to present any specific facts tending to show the existence of the alleged conspiracy.

29. The court set out the comments of experts in federal procedure in further support of this proposition:

The most common situation in which the rule will not be applied to aid a nondiligent party arises when the nonmovant has complied with Rule 56(f) but has failed to make use of the various discovery mechanisms that are at his disposal or seeks a continuance of the

It is clear that plaintiff has failed to diligently and timely engage in discovery to obtain the necessary information to oppose defendants' motions. A lack of diligence in obtaining the needed information to oppose a motion for summary judgment should not supply the basis for delay simply by relying on Rule 56(f) of the Federal Rules of Civil Procedure.²⁹

After reviewing this Circuit's precedent on dilatory Rule 56(f) discovery requests, the district court further observed:

Plaintiff's chief concern is that he has not instituted any discovery whatsoever and that he is entitled to prove the motives and intent of the alleged conspirators as provided for in *Poller v. Columbia Broadcasting Systems, Inc.*, *supra*. This argument cannot prevail in light of the Court's earlier recitation as to the plaintiff's nonchalance in seeking discovery and his failure to assert specific facts to support his request for discovery. [citation and quotation omitted]. In the present case, the plaintiff's original complaint was less than well drafted. In fact, the Court, on two occasions, had to order the complaint to be amended. The Court was also required to order the plaintiff to clarify his discovery request.

motion for that purpose. The courts will not delay a case to allow discovery instituted earlier, especially when there is no reason to believe that it will lead to the denial of the motion. [10 C. Wright and A. Miller, *Federal Practice and Procedure* § 2740 at p. 726 (1973) (footnote omitted)].

* * * * *

[T]he opposing party should present his affidavit showing that the knowledge or control of the facts is exclusively or largely with the moving party and describe his attempts to obtain those facts. The mere averment of exclusive knowledge or control of the facts by the moving party is not adequate; the opposing party must show to the best of his ability what facts are within the movant's exclusive knowledge or control; what steps have been taken to obtain the desired information pursuant to the discovery procedures under the Rules; and that he is desirous of taking advantage of these discovery procedures. [6 J. Moore, *Federal Practice* § 56.24 at 2876 (2d ed. 1974) (footnote omitted)].

The latter order was issued after lengthy oral argument on the pending motions.³⁰

* * * * *

The intent of Rule 56(f) of the Federal Rules of Civil Procedure is not to open the discovery net to allow a fishing expedition. Instead, the rule is designed to enable a party to seek particular facts relevant to an already-established factual pattern of alleged antitrust activity. It is apparent, by the plaintiff's own admission, that the purpose of discovery in the present case would be to ascertain whatever information possible in order to set forth specific violations of the Act. However, plaintiff cannot state that he could obtain significant probative evidence during the discovery process which would be sufficient to oppose defendants' motions. It is clear that plaintiff has failed to set forth a factual predicate to justify Rule 56(f) discovery.

In light of the above considerations, the district court denied appellant's Rule 56(f) request for a continuance in order to proceed with discovery.³¹

[3] We begin our examination of the district court's ruling by noting that the grant or denial of a continuance pursuant to Rule 56(f) in order to proceed with discovery rests within the discretion of the district court, to be disturbed on appeal only if its decision reflects an abuse of that discretion. See *Pan-Islamic Trade Corp. v. Exxon Corp.*, 632 F.2d 539, 550 (5th Cir. 1980), cert. denied, 454 U.S. 927, 102 S.Ct. 427, 70 L.Ed.2d 236 (1981) (and the cases cited therein); *Walters v. City of Ocean Springs*, 626 F.2d 1317, 1321 (5th Cir.1980); *Aviation Specialties, Inc. v. United Technol-*

30. The court distinguished as irrelevant to the facts at hand the Supreme Court's decision in *Klor's, Inc. v. Broadway-Hale Stores, Inc.*, 359 U.S. 207, 79 S.Ct. 705, 3 L.Ed.2d 741 (1959), relied heavily upon by appellant both in the court below and on appeal:

The crucial distinction between *Klor's* and the present case is that the defendants in *Klor's* did not deny the plaintiff's allegations. The defendants in *Klor's* merely submitted affidavits showing that there were "hundreds" of other competitors in the area. In the instant case, the defendants have denied,

ogies Corp., supra, 568 F.2d at 1189; *United States v. 110 Bars of Silver*, 508 F.2d 799, 801 (5th Cir.), cert. denied sub nom. *Resnick v. United States*, 423 U.S. 861, 96 S.Ct. 118, 46 L.Ed.2d 89 (1975). But cf. *Hospital Building Co. v. Trustees of Rex Hospital*, 425 U.S. 738, 746, 96 S.Ct. 1848, 1853, 48 L.Ed.2d 338 (1976) ("dismissals prior to giving the plaintiff ample opportunity for discovery should be granted very sparingly" in antitrust cases); *Littlejohn v. Shell Oil Co.*, 483 F.2d 1140, 1146 (5th Cir.) (en banc), cert. denied, 414 U.S. 1116, 94 S.Ct. 849, 38 L.Ed.2d 743 (1973) (denial of 56(f) continuance was an abuse of discretion where case complications, in particular the parties' relative access to the information sought, led to Circuit Court's determination out of "an abundance of caution and to prevent a possible injustice"). After careful consideration of the record below, we find that while there may be some room for disagreement with the district court's determination, we cannot conclude that its decision reflected an abuse of discretion.

Rule 56(f)³² provides that a continuance or other order with regard to discovery shall be granted as is "just." No other, more specific guidance appears therein to limit the court's exercise of its discretion. Few rules exist as to when a Rule 56(f) request should be either granted or denied, as that question is necessarily a fact-bound one with endless possible permutations. However, certain general propositions and factors relevant to our determination are revealed in the existing case law.

[4] As correctly noted by the district court, a plaintiff's entitlement to discovery prior to a ruling on a motion for summary

with substantiating reasons, the plaintiff's conspiracy contentions. The plaintiff has filed absolutely no evidence to rebut defendants' sworn allegations.

We agree with the district court that the Supreme Court's decision in *Klor's* does not bear upon the issue at hand.

31. The court's summary of its findings is quoted, supra, in the text preceding note 17.

32. See note 6 supra.

judgment is not unlimited, and may be cut off when the record shows that the requested discovery is not likely to produce the facts needed by plaintiff to withstand a Rule 56(e) motion for summary judgment. See, e.g., *Walters v. City of Ocean Springs, supra*. Accord, *Contemporary Mission, Inc. v. United States Postal Service*, 648 F.2d 97 (2d Cir.1981). Cf. *First National Bank of Arizona v. Cities Service Co., supra* (limitations on general pre-trial discovery and denial of further Rule 56(f) discovery not improper as additional discovery would merely amount to a fishing expedition and would unduly harass defendant); *Aviation Specialties, Inc. v. United Technologies Corp., supra* (curtailment of discovery was not an abuse of discretion where plaintiff was dilatory, the substance of the disallowed requests indicated that the requested discovery would not be helpful, and a significant amount of discovery had already taken place).

[5] Indeed a district judge may exercise his discretion to prevent "the plaintiff from burdening the defendants with a needless round of discovery in [a] frivolous lawsuit":

[I]t is clear that a plaintiff cannot defeat a motion for summary judgment by merely restating the conclusory allegations contained in his complaint, and amplifying them only with speculation about what discovery might uncover.

* * * * *

Where a plaintiff fails to produce any specific facts whatsoever to support a conspiracy allegation, a district court may, in its discretion, refuse to permit discovery and grant summary judgment. Something more than a fanciful allega-

tion is required to justify denying a motion for summary judgment when the moving party has met its burden of demonstrating the absence of any genuine issue of material fact. A "bare assertion" that the evidence supporting a plaintiff's allegation is in the hands of the defendant is insufficient to justify a denial of a motion for summary judgment under Rule 56(f). . . . Rule 56(f) cannot be relied upon to defeat a summary judgment motion "where the result of a continuance to obtain further information would be wholly speculative."

Contemporary Mission, Inc. v. United States Postal Service, supra, 648 F.2d at 107.

In *First National Bank of Arizona v. Cities Service Co., supra*, the Supreme Court upheld the lower court's grant of a summary judgment, despite the existence of a prohibition against general discovery throughout the pendency of the antitrust suit, finding persuasive the district court's conclusion that the requested discovery would merely be a "fishing expedition" and would unduly harass the defendant. In determining whether an unjustified fishing expedition was shown, the Supreme Court deemed relevant the degree of specificity already offered by the charging party that a conspiracy existed³³ and the peripheral or focused nature of the particular discovery requests made.³⁴ See also *In Re Municipal Bond Reporting Antitrust Litigation*, 672 F.2d 436, 440 & n. 7 (5th Cir.1982), citing *Solomon v. Houston Corrugated Box Co., supra*, and *Lupia v. Stella D'Oro Biscuit Co.*, 586 F.2d 1163, 1167 (7th Cir.1978), cert. denied, 440 U.S. 982, 99 S.Ct. 1791, 60 L.Ed.2d

concerning the defendant manufacturers and distributors may conceivably have elicited some useful information, they were far from the most direct, unanswered and logical inquiries which could have been made to elicit specific evidence of a conspiracy. Further, as admitted by appellant at the April 27, 1978, hearing held by the court below, appellant never sought to elicit discovery from one of the important potential sources of conspiratorial evidence, the defendant retailers who, alone among the defendants, were in competition with appellant.

33. As in the immediate case, a conspiracy to boycott had been alleged in *First National Bank of Arizona* in conclusory terms and based upon a theory of conscious parallelism.

34. As in this case, the Supreme Court also was faced with peripheral, indirect requests for discovery. We find, after examining the discovery requests made before the court below, see discussion *supra*, that appellant's requests were somewhat peripheral to the conspiracy issue. Although, with varying degrees of relevancy, these requests for general information

242 (1979), to the effect that the expensive and time consuming nature of antitrust litigation along with the statutory treble damage remedy, may particularly inspire vexacious litigation, an evil which summary judgment may guard against. Accord, *Ron Tonkin Gran Turismo, Inc. v. Fiat Distributors, Inc.*, 637 F.2d 1376, 1381 (9th Cir.) cert. denied, 454 U.S. 831, 102 S.Ct. 128, 70 L.Ed.2d 109 (1981); *Lupia v. Stella D'Oro Biscuit Co.*, supra, 586 F.2d at 1167.

[6, 7] Similarly, discovery may be limited if dilatorily sought. See *First National Bank of Arizona v. Cities Service Co.*, supra; *Pan-Islamic Trade Corp. v. Exxon Corp.*, supra; *Walters v. City of Ocean Springs*, supra; *Aviation Specialties, Inc. v. United Technologies Corp.*, supra. What is "dilatory" depends upon the particular posture of the case presented. The factors deemed relevant in the cases, discussed in those cited above, are: 1) the length of the pendency of the case prior to the Rule 56(f) request; 2) whether and when plaintiff could have anticipated its need for the requested discovery; 3) the previous efforts, if any, made by plaintiff to obtain the needed information either through Rule discovery or otherwise; 4) the degree and nature of discovery already undertaken; 5) any limitations placed upon discovery previously by the trial court; 6) any prior solicitations of or provisions for discovery by the trial court; 7) any warning which plaintiff might have had that, absent a speedier request, discovery might be denied and his claim be dismissed; and 8) whether the requested information was inaccessible to plaintiff, e.g. as when within defendant's exclusive control, or whether alternative, accessible sources existed but were foregone.

[8] In applying the above principles to the case before us, we find that the district court's denial of appellant's discovery request was not an abuse of discretion. While we recognize that some significant

factors point against this conclusion, we are satisfied that those which support the trial court's determination are of sufficient strength we cannot say that the court's decision was unjust under Fed.R.Civ.P. 56(f).

Weighing most heavily against the sagacity of the district court's determination are two interrelated factors: 1) the relatively short period of delay, in comparison with those lengthier delays appearing in some of the cases, cited supra, which found dilatoriness; and 2) the trial court's stay of general discovery throughout the proceedings, absent court permission, save for the first month following appellant's filing of its original complaint. In contrast to the many years' delay in such cases as *First National Bank of Arizona v. Cities Service Co.*, supra (five and one-half years) and *Pan-Islamic Trade Corp. v. Exxon Corp.*, supra (over two years), which relied upon plaintiff's dilatoriness as a ground for discovery denial, delay by appellant in pursuing discovery was much shorter. The complaint was filed in March 1978, and the unnoticed Rule 56(f) affidavit was filed in January 1979, and brought to the court's attention in April 1979. Thus, the relevant benchmark of delay would be, at most, a little over one year. In order to assess whether this period of delay reflected dilatoriness on appellant's behalf we must examine the nature of the district court's stay of discovery.

As discussed above,³⁵ the district court made it clear to the parties that the stay was limited in effect, and solely for the purpose of guaranteeing the sort of controlled discovery necessary to prevent both duplicative and vexacious requests which would otherwise ensue in the multi-partied discovery process.³⁶ The presence of the stay, therefore, while potentially moderating the degree of appellant's dilatoriness does not excuse appellant's total lack of discovery attempts during the relevant one-year period. Cf. *First National Bank of*

35. See notes 18-21 and the accompanying discussion supra.

36. This procedure is in accordance with that frequently adopted in complex litigations. See generally *Manual for Complex Litigation* (CCH 1978).

Arizona v. Cities Service Co., supra (with a similar stay in effect, plaintiff had sought some discovery; the Court did not find plaintiff's delay to be excused by the partial stay in effect throughout the litigation therein).

When the remaining factors are considered and applied to the immediate case, we find that the period of delay, when considered in light of the limited stay, does not persuade us that the district court improperly curtailed discovery. Appellant's complaint, despite two amendments, remained wholly conclusory. Appellant was unable to offer any specific allegations of fact tending to prove its theory of a group boycott other than its allegations of defendants' refusals to deal. Once defendants specifically denied these allegations with Rule 56(e) affidavits averring to independent, legitimate business reasons explaining any alleged refusals, appellant was unable to controvert these with substantial probative evidence to the contrary.

While much of that evidence, if in existence at all, lay within defendants' control, some evidence in refutation of defendants' averments and in support of appellant's conspiracy claim was available to appellant if its allegations of conspiracy were true. For example, appellant could have offered proof of its credit-worthiness from its principal-owner or its own banker in refutation of defendants' averments to the contrary. But it failed to do so.³⁷ Further, even after appellant twice refined its Rule 56(f) discovery request at the court's direction, appellant's discovery request remained vague and peripheral to the key issue of conspiracy. Even then, the discovery request omitted any desire to pursue evidence from the most-likely conspiratorial defendants, the retailers in competition with appellant. Similarly, appellant did not seek to question those persons who had made affidavits on

behalf of defendants in order to controvert those affidavits. Finally, it can be fairly said, that the "discovery requests disallowed by the district court show no relevant request of consequence for which [appellant] could not have anticipated its need at the time it filed its complaint." *Aviation Specialties, Inc. v. United Technologies Corp., supra*, 568 F.2d at 1189-90.

The above considerations support the district court's characterization of appellant's request for discovery as an impermissible fishing expedition. The district court properly concluded that it would be highly unlikely that appellant's discovery requests, if granted, would produce any significant probative evidence of conspiracy in refutation of defendants' Rule 56(e) affidavits. Given appellant's repeated inability to provide any facts in support of its conspiracy theory, the court correctly observed that appellant would not be permitted to go fishing with the hope of fortuitously discovering some unknown and unsuspected evidence of a conspiracy.

[9] We find untenable appellant's implication that the trial judge should have done more than he did to solicit discovery and to warn of possible consequences should discovery not be promptly initiated. The court below performed its role as the moderator of the dispute, most specifically by its first pre-trial order of June 6, 1978, which elaborately addressed discovery procedures, by its minute entry which requested the parties to be prepared to discuss at the October 12, 1978, status conference "whether any discovery will be needed to file evidence in support of or in opposition to to the pending motions," and by its other orders making reference to discovery.³⁸ Yet despite these directions and admonitions, appellant remained silent. The district court, as moderator, cannot be required to take a party by the hand and lead it through all the steps of

37. See *Walters v. City of Ocean Springs, supra*, 626 F.2d at 1321-22 ("The parties' comparative access to the witnesses or material relevant to the disposition of the rule 56(f) motion is a particularly salient factor for the trial court to consider in exercising its discretion"); 10 C. Wright & A. Miller, *Federal Practice and Proce-*

dure § 2728, at 557, and § 2741, at 731-40 (1973).

38. With regard to discovery, the district judge at the April 27, 1978 hearing remarked: "What more can I do as a judge?"

the preparation of a case for trial. This district court urged appellant over and over again to develop specific allegations and to obtain specific information to flesh out its bare and speculative complaint. Appellant's responses were inadequate throughout.

Conclusion

[10] In summary, the district court found the final discovery request of August 1979, was vague and ineffective, as all others had been. The entire record reveals that Judge Polozola after this request felt that appellant had been given its last chance to justify discovery and had failed. Hence it was not necessary to rule on the discovery motion before granting the summary judgment motion. Appellant had been given more than adequate overall opportunity to establish a case adequate to block summary judgment and had finally come up with only a fishing expedition. Our consideration of the entire record leads us to conclude that his decision was not an abuse of discretion.

Accordingly, we AFFIRM.



Carlos MARCELLO, Petitioner,

v.

IMMIGRATION & NATURALIZATION
SERVICE, Respondent.

No. 81-4528.

United States Court of Appeals,
Fifth Circuit.

Jan. 6, 1983.

Alien filed petition for judicial review of an order of the Board of Immigration Appeals denying his motion to reopen his deportation proceedings. The Court of Appeals held that the alien failed to establish

that the Board's decision was arbitrary or capricious, not in accord with law, or in violation of procedural due process.

Petition for review denied.

1. Aliens ⇌ 54(5)

Motion to reopen deportation proceedings is not available upon bare showing of statutory eligibility; rather, the alien must first make a prima facie showing that there is a reasonable likelihood that the relief sought would be granted at the reopened hearing, and such prima facie showing includes not only that there is a reasonable likelihood that the statutory requirements for the relief sought are satisfied, but also a reasonable likelihood that the grant of relief may be warranted as a matter of discretion. Immigration and Nationality Act, § 212(c), 8 U.S.C.A. § 1182(c).

2. Aliens ⇌ 54(5)

In determining whether to reopen deportation proceedings to permit alien to apply for discretionary relief, Board of Immigration Appeals properly pointed out the strong and emphatically emphasized reasons that it had previously refused to exercise its similar discretion to afford the alien a suspension of deportation. Immigration and Nationality Act, §§ 212(c), 244(a)(2), 8 U.S.C.A. §§ 1182(c), 1254(a)(2).

3. Aliens ⇌ 54(5)

Mere passage of time since Board of Immigration Appeals had refused to grant alien a suspension of deportation was not a significant change of circumstance so as to warrant reopening of the deportation proceedings. Immigration and Nationality Act, §§ 212(c), 244(a)(2), 8 U.S.C.A. §§ 1182(c), 1254(a)(2).

4. Administrative Law and Procedure ⇌ 763

Exercise of administrative discretion to deny relief cannot be disturbed on judicial review unless the denial was arbitrary or capricious, not in accord with law, or in violation of procedural due process. U.S. C.A. Const. Amends. 5, 14.

IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re ENRON CORPORATION §
SECURITIES, DERIVATIVE §
& "ERISA" LITIGATION §

MARK NEWBY, ET AL., §
Plaintiffs, §
v. §
ENRON CORPORATION, ET AL., §

Defendants. §

MDL 1446
and Consolidated, Related Cases
and Coordinated Cases

Civil Action No.: H-01-3624
and Consolidated, Related Cases
and Coordinated Cases

ORDER

The Court has considered Motion of Certain Officer Defendants to Compel Third-Party Blockbuster, Inc. to Respond to Subpoena Duces Tecum ("Motion to Compel"), Third-Party Blockbuster, Inc.'s Response to Officer Defendants' Motion to Compel, and the arguments of counsel and finds that Defendant's Motion should be DENIED.

IT IS THEREFORE ORDERED that Officer Defendants' Motion to Compel is denied in its entirety.

Presiding Judge