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**PROGRAM MATERIALS**

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## **Ethics & Copyright Litigation Updates - 2020**

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# ETHICS AND COPYRIGHT LITIGATION

January 23, 2020

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## ETHICS AND COPYRIGHT LITIGATION

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**1. Rule 11 of the Federal Rules of Civil Procedure. Signing Pleadings, Motions, and Other Papers; Representations to the Court; Sanctions**

(a) Signature. Every pleading, written motion, and other paper must be signed by at least one attorney of record in the attorney's name—or by a party personally if the party is unrepresented. The paper must state the signer's address, e-mail address, and telephone number. Unless a rule or statute specifically states otherwise, a pleading need not be verified or accompanied by an affidavit. The court must strike an unsigned paper unless the omission is promptly corrected after being called to the attorney's or party's attention.

(b) Representations to the Court. By presenting to the court a pleading, written motion, or other paper—whether by signing, filing, submitting, or later advocating it—an attorney or unrepresented party certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances:

(1) it is not being presented for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation;

(2) the claims, defenses, and other legal contentions are warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law;

(3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery; and

(4) the denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on belief or a lack of information.

(c) Sanctions.

(1) In General. If, after notice and a reasonable opportunity to respond, the court determines that Rule 11(b) has been violated, the court may impose an appropriate sanction on any attorney, law firm, or party that violated the rule or is responsible for the violation. Absent exceptional circumstances, a law firm must be held jointly responsible for a violation committed by its partner, associate, or employee.

(2) Motion for Sanctions. A motion for sanctions must be made separately from any other motion and must describe the specific conduct that allegedly violates Rule 11(b). The motion must be served under Rule 5, but it must not be filed or be presented to the court if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service or within another time the court sets. If warranted, the court may award to the prevailing party the reasonable expenses, including attorney's fees, incurred for the motion.

(3) On the Court's Initiative. On its own, the court may order an attorney, law firm, or party to show cause why conduct specifically described in the order has not violated Rule 11(b).

(4) Nature of a Sanction. A sanction imposed under this rule must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated. The sanction may include nonmonetary directives; an order to pay a penalty into court; or, if imposed on motion and warranted for effective deterrence, an order directing payment to the movant of part or all of the reasonable attorney's fees and other expenses directly resulting from the violation.

(5) Limitations on Monetary Sanctions. The court must not impose a monetary sanction:

(A) against a represented party for violating Rule 11(b)(2); or

(B) on its own, unless it issued the show-cause order under Rule 11(c)(3) before voluntary dismissal or settlement of the claims made by or against the party that is, or whose attorneys are, to be sanctioned.

(6) Requirements for an Order. An order imposing a sanction must describe the sanctioned conduct and explain the basis for the sanction.

(d) Inapplicability to Discovery. This rule does not apply to disclosures and discovery requests, responses, objections, and motions under Rules 26 through 37.

## **2. Rule 16. Pretrial Conferences; Scheduling; Management**

(a) Purposes of a Pretrial Conference. In any action, the court may order the attorneys and any unrepresented parties to appear for one or more pretrial conferences for such purposes as:

(1) expediting disposition of the action;

(2) establishing early and continuing control so that the case will not be protracted because of lack of management;

(3) discouraging wasteful pretrial activities;

(4) improving the quality of the trial through more thorough preparation; and

(5) facilitating settlement.

(b) Scheduling.

(1) *Scheduling Order*. Except in categories of actions exempted by local rule, the district judge—or a magistrate judge when authorized by local rule—must issue a scheduling order:

(A) after receiving the parties' report under [Rule 26\(f\)](#); or

(B) after consulting with the parties' attorneys and any unrepresented parties at a scheduling conference.

(2) *Time to Issue.* The judge must issue the scheduling order as soon as practicable, but unless the judge finds good cause for delay, the judge must issue it within the earlier of 90 days after any defendant has been served with the complaint or 60 days after any defendant has appeared.

(3) *Contents of the Order.*

(A) *Required Contents.* The scheduling order must limit the time to join other parties, amend the pleadings, complete discovery, and file motions.

(B) *Permitted Contents.* The scheduling order may:

- (i) modify the timing of disclosures under [Rules 26\(a\)](#) and [26\(e\)\(1\)](#);
- (ii) modify the extent of discovery;
- (iii) provide for disclosure, discovery, or preservation of electronically stored information;
- (iv) include any agreements the parties reach for asserting claims of privilege or of protection as trial-preparation material after information is produced, including agreements reached under [Federal Rule of Evidence 502](#);
- (v) direct that before moving for an order relating to discovery, the movant must request a conference with the court;
- (vi) set dates for pretrial conferences and for trial; and
- (vii) include other appropriate matters.

(4) *Modifying a Schedule.* A schedule may be modified only for good cause and with the judge's consent.

(c) Attendance and Matters for Consideration at a Pretrial Conference.

(1) *Attendance.* A represented party must authorize at least one of its attorneys to make stipulations and admissions about all matters that can reasonably be anticipated for discussion at a pretrial conference. If appropriate, the court may require that a party or its representative be present or reasonably available by other means to consider possible settlement.

(2) *Matters for Consideration.* At any pretrial conference, the court may consider and take appropriate action on the following matters:

- (A) formulating and simplifying the issues, and eliminating frivolous claims or defenses;
- (B) amending the pleadings if necessary or desirable;
- (C) obtaining admissions and stipulations about facts and documents to avoid unnecessary proof, and ruling in advance on the admissibility of evidence;
- (D) avoiding unnecessary proof and cumulative evidence, and limiting the use of testimony under [Federal Rule of Evidence 702](#);
- (E) determining the appropriateness and timing of summary adjudication under [Rule 56](#);
- (F) controlling and scheduling discovery, including orders affecting disclosures and discovery under [Rule 26](#) and Rules [29](#) through [37](#);
- (G) identifying witnesses and documents, scheduling the filing and exchange of any pretrial briefs, and setting dates for further conferences and for trial;
- (H) referring matters to a magistrate judge or a master;
- (I) settling the case and using special procedures to assist in resolving the dispute when authorized by statute or local rule;
- (J) determining the form and content of the pretrial order;
- (K) disposing of pending motions;

(L) adopting special procedures for managing potentially difficult or protracted actions that may involve complex issues, multiple parties, difficult legal questions, or unusual proof problems;

(M) ordering a separate trial under [Rule 42\(b\)](#) of a claim, counterclaim, crossclaim, third-party claim, or particular issue;

(N) ordering the presentation of evidence early in the trial on a manageable issue that might, on the evidence, be the basis for a judgment as a matter of law under [Rule 50\(a\)](#) or a judgment on partial findings under [Rule 52\(c\)](#);

(O) establishing a reasonable limit on the time allowed to present evidence; and

(P) facilitating in other ways the just, speedy, and inexpensive disposition of the action.

(d) Pretrial Orders. After any conference under this rule, the court should issue an order reciting the action taken. This order controls the course of the action unless the court modifies it.

(e) Final Pretrial Conference and Orders. The court may hold a final pretrial conference to formulate a trial plan, including a plan to facilitate the admission of evidence. The conference must be held as close to the start of trial as is reasonable, and must be attended by at least one attorney who will conduct the trial for each party and by any unrepresented party. The court may modify the order issued after a final pretrial conference only to prevent manifest injustice.

(f) Sanctions.

(1) *In General*. On motion or on its own, the court may issue any just orders, including those authorized by [Rule 37\(b\)\(2\)\(A\)\(ii\)](#)–(vii), if a party or its attorney:

(A) fails to appear at a scheduling or other pretrial conference;

(B) is substantially unprepared to participate—or does not participate in good faith—in the conference; or

(C) fails to obey a scheduling or other pretrial order.

(2) *Imposing Fees and Costs.* Instead of or in addition to any other sanction, the court must order the party, its attorney, or both to pay the reasonable expenses—including attorney's fees—incurred because of any noncompliance with this rule, unless the noncompliance was substantially justified or other circumstances make an award of expenses unjust.

### **3. Rule 37. Failure to Make Disclosures or to Cooperate in Discovery; Sanctions**

(a) Motion for an Order Compelling Disclosure or Discovery.

(1) *In General.* On notice to other parties and all affected persons, a party may move for an order compelling disclosure or discovery. The motion must include a certification that the movant has in good faith conferred or attempted to confer with the person or party failing to make disclosure or discovery in an effort to obtain it without court action.

(2) *Appropriate Court.* A motion for an order to a party must be made in the court where the action is pending. A motion for an order to a nonparty must be made in the court where the discovery is or will be taken.

(3) *Specific Motions.*

(A) *To Compel Disclosure.* If a party fails to make a disclosure required by [Rule 26\(a\)](#), any other party may move to compel disclosure and for appropriate sanctions.

(B) *To Compel a Discovery Response.* A party seeking discovery may move for an order compelling an answer, designation, production, or inspection. This motion may be made if:

(i) a deponent fails to answer a question asked under [Rule 30](#) or [31](#);

(ii) a corporation or other entity fails to make a designation under [Rule 30\(b\)\(6\)](#) or [31\(a\)\(4\)](#);

(iii) a party fails to answer an interrogatory submitted under [Rule 33](#); or

(iv) a party fails to produce documents or fails to respond that inspection will be permitted—or fails to permit inspection—as requested under [Rule 34](#).

(C) *Related to a Deposition*. When taking an oral deposition, the party asking a question may complete or adjourn the examination before moving for an order.

(4) *Evasive or Incomplete Disclosure, Answer, or Response*. For purposes of this subdivision (a), an evasive or incomplete disclosure, answer, or response must be treated as a failure to disclose, answer, or respond.

(5) *Payment of Expenses; Protective Orders*.

(A) *If the Motion Is Granted (or Disclosure or Discovery Is Provided After Filing)*. If the motion is granted—or if the disclosure or requested discovery is provided after the motion was filed—the court must, after giving an opportunity to be heard, require the party or deponent whose conduct necessitated the motion, the party or attorney advising that conduct, or both to pay the movant's reasonable expenses incurred in making the motion, including attorney's fees. But the court must not order this payment if:

(i) the movant filed the motion before attempting in good faith to obtain the disclosure or discovery without court action;

(ii) the opposing party's nondisclosure, response, or objection was substantially justified;  
or

(iii) other circumstances make an award of expenses unjust.

(B) *If the Motion Is Denied*. If the motion is denied, the court may issue any protective order authorized under [Rule 26\(c\)](#) and must, after giving an opportunity to be heard, require the movant, the attorney filing the motion, or both to pay the party or deponent who opposed the motion its reasonable expenses incurred in opposing the motion, including attorney's fees. But

the court must not order this payment if the motion was substantially justified or other circumstances make an award of expenses unjust.

(C) *If the Motion Is Granted in Part and Denied in Part.* If the motion is granted in part and denied in part, the court may issue any protective order authorized under [Rule 26\(c\)](#) and may, after giving an opportunity to be heard, apportion the reasonable expenses for the motion.

(b) Failure to Comply with a Court Order.

(1) *Sanctions Sought in the District Where the Deposition Is Taken.* If the court where the discovery is taken orders a deponent to be sworn or to answer a question and the deponent fails to obey, the failure may be treated as contempt of court. If a deposition-related motion is transferred to the court where the action is pending, and that court orders a deponent to be sworn or to answer a question and the deponent fails to obey, the failure may be treated as contempt of either the court where the discovery is taken or the court where the action is pending.

(2) *Sanctions Sought in the District Where the Action Is Pending.*

(A) *For Not Obeying a Discovery Order.* If a party or a party's officer, director, or managing agent—or a witness designated under [Rule 30\(b\)\(6\)](#) or [31\(a\)\(4\)](#)—fails to obey an order to provide or permit discovery, including an order under [Rule 26\(f\)](#), [35](#), or [37\(a\)](#), the court where the action is pending may issue further just orders. They may include the following:

(i) directing that the matters embraced in the order or other designated facts be taken as established for purposes of the action, as the prevailing party claims;

(ii) prohibiting the disobedient party from supporting or opposing designated claims or defenses, or from introducing designated matters in evidence;

(iii) striking pleadings in whole or in part;

(iv) staying further proceedings until the order is obeyed;

(v) dismissing the action or proceeding in whole or in part;

(vi) rendering a default judgment against the disobedient party; or

(vii) treating as contempt of court the failure to obey any order except an order to submit to a physical or mental examination.

(B) *For Not Producing a Person for Examination.* If a party fails to comply with an order under [Rule 35\(a\)](#) requiring it to produce another person for examination, the court may issue any of the orders listed in [Rule 37\(b\)\(2\)\(A\)\(i\)](#)—(vi), unless the disobedient party shows that it cannot produce the other person.

(C) *Payment of Expenses.* Instead of or in addition to the orders above, the court must order the disobedient party, the attorney advising that party, or both to pay the reasonable expenses, including attorney's fees, caused by the failure, unless the failure was substantially justified or other circumstances make an award of expenses unjust.

(c) Failure to Disclose, to Supplement an Earlier Response, or to Admit.

(1) *Failure to Disclose or Supplement.* If a party fails to provide information or identify a witness as required by [Rule 26\(a\)](#) or (e), the party is not allowed to use that information or witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless. In addition to or instead of this sanction, the court, on motion and after giving an opportunity to be heard:

(A) may order payment of the reasonable expenses, including attorney's fees, caused by the failure;

(B) may inform the jury of the party's failure; and

(C) may impose other appropriate sanctions, including any of the orders listed in [Rule 37\(b\)\(2\)\(A\)\(i\)](#)—(vi).

(2) *Failure to Admit.* If a party fails to admit what is requested under [Rule 36](#) and if the requesting party later proves a document to be genuine or the matter true, the requesting party may move that the party who failed to admit pay the reasonable expenses, including attorney's fees, incurred in making that proof. The court must so order unless:

(A) the request was held objectionable under [Rule 36\(a\)](#);

(B) the admission sought was of no substantial importance;

(C) the party failing to admit had a reasonable ground to believe that it might prevail on the matter; or

(D) there was other good reason for the failure to admit.

(d) Party's Failure to Attend Its Own Deposition, Serve Answers to Interrogatories, or Respond to a Request for Inspection.

(1) *In General.*

(A) *Motion; Grounds for Sanctions.* The court where the action is pending may, on motion, order sanctions if:

(i) a party or a party's officer, director, or managing agent—or a person designated under [Rule 30\(b\)\(6\)](#) or [31\(a\)\(4\)](#)—fails, after being served with proper notice, to appear for that person's deposition; or

(ii) a party, after being properly served with interrogatories under [Rule 33](#) or a request for inspection under [Rule 34](#), fails to serve its answers, objections, or written response.

(B) *Certification.* A motion for sanctions for failing to answer or respond must include a certification that the movant has in good faith conferred or attempted to confer with the party failing to act in an effort to obtain the answer or response without court action.

(2) *Unacceptable Excuse for Failing to Act.* A failure described in [Rule 37\(d\)\(1\)\(A\)](#) is not excused on the ground that the discovery sought was objectionable, unless the party failing to act has a pending motion for a protective order under [Rule 26\(c\)](#).

(3) *Types of Sanctions.* Sanctions may include any of the orders listed in [Rule 37\(b\)\(2\)\(A\)\(i\)](#)—(vi). Instead of or in addition to these sanctions, the court must require the party failing to act, the attorney advising that party, or both to pay the reasonable expenses, including attorney's fees, caused by the failure, unless the failure was substantially justified or other circumstances make an award of expenses unjust.

(e) *Failure to Preserve Electronically Stored Information.* If electronically stored information that should have been preserved in the anticipation or conduct of litigation is lost because a party failed to take reasonable steps to preserve it, and it cannot be restored or replaced through additional discovery, the court:

(1) upon finding prejudice to another party from loss of the information, may order measures no greater than necessary to cure the prejudice; or

(2) only upon finding that the party acted with the intent to deprive another party of the information's use in the litigation may:

(A) presume that the lost information was unfavorable to the party;

(B) instruct the jury that it may or must presume the information was unfavorable to the party; or

(C) dismiss the action or enter a default judgment.

#### **4. 18 U.S.C. 1927 - Counsel's liability for excess costs**

Any attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and

vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

## **5. NYPRC Rule 1.3 - Diligence**

(a) A lawyer shall act with reasonable diligence and promptness in representing a client.

(b) A lawyer shall not neglect a legal matter entrusted to the lawyer.

(c) A lawyer shall not intentionally fail to carry out a contract of employment entered into with a client for professional services, but the lawyer may withdraw as permitted under these Rules.

## **6. NYPRC Rule 1.4 - Communication**

(a) A lawyer shall:

(1) promptly inform the client of:

(i) any decision or circumstance with respect to which the client's informed consent, as defined in Rule 1.0(j), is required by these Rules;

(ii) any information required by court rule or other law to be communicated to a client;

and

(iii) material developments in the matter including settlement or plea offers.

(2) reasonably consult with the client about the means by which the client's objectives are to be accomplished;

(3) keep the client reasonably informed about the status of the matter;

(4) promptly comply with a client's reasonable requests for information; and

(5) consult with the client about any relevant limitation on the lawyer's conduct when the lawyer knows that the client expects assistance not permitted by these Rules or other law.

(b) A lawyer shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation.

## **7. NYPRC Rule 1.6 - Confidentiality of Information**

(a) A lawyer shall not knowingly reveal confidential information, as defined in this Rule, or use such information to the disadvantage of a client or for the advantage of the lawyer or a third person, unless:

(1) the client gives informed consent, as defined in [Rule 1.0\(j\)](#);

(2) the disclosure is impliedly authorized to advance the best interests of the client and is either reasonable under the circumstances or customary in the professional community; or

(3) the disclosure is permitted by paragraph (b).

“Confidential information” consists of information gained during or relating to the representation of a client, whatever its source, that is (a) protected by the attorney-client privilege, (b) likely to be embarrassing or detrimental to the client if disclosed, or (c) information that the client has requested be kept confidential. “Confidential information” does not ordinarily include (i) a lawyer's legal knowledge or legal research or (ii) information that is generally known in the local community or in the trade, field or profession to which the information relates.

(b) A lawyer may reveal or use confidential information to the extent that the lawyer reasonably believes necessary:

(1) to prevent reasonably certain death or substantial bodily harm;

(2) to prevent the client from committing a crime;

(3) to withdraw a written or oral opinion or representation previously given by the lawyer and reasonably believed by the lawyer still to be relied upon by a third person, where the lawyer

has discovered that the opinion or representation was based on materially inaccurate information or is being used to further a crime or fraud;

(4) to secure legal advice about compliance with these Rules or other law by the lawyer, another lawyer associated with the lawyer's firm or the law firm;

(5)(i) to defend the lawyer or the lawyer's employees and associates against an accusation of wrongful conduct; or

(ii) to establish or collect a fee; or

(6) when permitted or required under these Rules or to comply with other law or court order.

(c) A lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure or use of, or unauthorized access to, information protected by Rules 1.6, [1.9\(c\)](#), or [1.18\(b\)](#).

## **8. NYPRC Rule 3.3 - Conduct Before a Tribunal**

### [Currentness](#)

(a) A lawyer shall not knowingly:

(1) make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the lawyer;

(2) fail to disclose to the tribunal controlling legal authority known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel; or

(3) offer or use evidence that the lawyer knows to be false. If a lawyer, the lawyer's client, or a witness called by the lawyer has offered material evidence and the lawyer comes to know of its falsity, the lawyer shall take reasonable remedial measures, including, if necessary,

disclosure to the tribunal. A lawyer may refuse to offer evidence, other than the testimony of a defendant in a criminal matter, that the lawyer reasonably believes is false.

(b) A lawyer who represents a client before a tribunal and who knows that a person intends to engage, is engaging or has engaged in criminal or fraudulent conduct related to the proceeding shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal.

(c) The duties stated in paragraphs (a) and (b) apply even if compliance requires disclosure of information otherwise protected by [Rule 1.6](#).

(d) In an ex parte proceeding, a lawyer shall inform the tribunal of all material facts known to the lawyer that will enable the tribunal to make an informed decision, whether or not the facts are adverse.

(e) In presenting a matter to a tribunal, a lawyer shall disclose, unless privileged or irrelevant, the identities of the clients the lawyer represents and of the persons who employed the lawyer.

(f) In appearing as a lawyer before a tribunal, a lawyer shall not:

(1) fail to comply with known local customs of courtesy or practice of the bar or a particular tribunal without giving to opposing counsel timely notice of the intent not to comply;

(2) engage in undignified or discourteous conduct;

(3) intentionally or habitually violate any established rule of procedure or of evidence; or

(4) engage in conduct intended to disrupt the tribunal.

## **9. NYRPC Rule 8.4 - Misconduct**

A lawyer or law firm shall not:

(a) violate or attempt to violate the Rules of Professional Conduct, knowingly assist or induce another to do so, or do so through the acts of another;

(b) engage in illegal conduct that adversely reflects on the lawyer's honesty, trustworthiness or fitness as a lawyer;

(c) engage in conduct involving dishonesty, fraud, deceit or misrepresentation;

(d) engage in conduct that is prejudicial to the administration of justice;

(e) state or imply an ability:

(1) to influence improperly or upon irrelevant grounds any tribunal, legislative body or public official; or

(2) to achieve results using means that violate these Rules or other law;

(f) knowingly assist a judge or judicial officer in conduct that is a violation of applicable rules of judicial conduct or other law;

(g) unlawfully discriminate in the practice of law, including in hiring, promoting or otherwise determining conditions of employment on the basis of age, race, creed, color, national origin, sex, disability, marital status, sexual orientation, gender identity, or gender expression.

Where there is a tribunal with jurisdiction to hear a complaint, if timely brought, other than a Departmental Disciplinary Committee, a complaint based on unlawful discrimination shall be brought before such tribunal in the first instance. A certified copy of a determination by such a tribunal, which has become final and enforceable and as to which the right to judicial or appellate review has been exhausted, finding that the lawyer has engaged in an unlawful discriminatory practice shall constitute prima facie evidence of professional misconduct in a disciplinary proceeding; or

(h) engage in any other conduct that adversely reflects on the lawyer's fitness as a lawyer.

**1. Avoiding Sanctions When A Client Lies About Evidence ( New York Rules of Professional Conduct 3.3 (Conduct before a tribunal) and 1.6 (Confidentiality of information))**

*Crown Awards, Inc. v. Trophy Depot, Inc.*, 2017 WL 564885 (S.D.N.Y.) (Feb. 3, 2017)

In copyright and trademark infringement action, when attorneys learned client had lied and that the attorneys had thus made misrepresentations to the court, attorneys demanded that client either dismiss the case or that the attorneys would have to inform the court of the falsehoods. Client opted to dismiss the case, in a subsequent sanctions motion attorneys were not sanctioned because they had followed NY Professional Rule of Conduct 1.6 in maintaining client confidences.

Upon learning that clients had concealed evidence and caused counsel to make misrepresentations to the court and upon receiving emails on May 11-12 from the adversary threatening sanctions:

Lehv asserts that on the morning of May 12, 2016, he “reviewed the deposition transcripts of all of [Crown's] witnesses, as well as [Crown's] discovery responses, to consider the accuracy of such testimony and discovery responses.” (*Id.* ¶ 58.) “That same morning of May 12, [Lehv] called Ms. Weisenfeld and told her that [FZLZ] could no longer represent [Crown] in this lawsuit.” (*Id.* ¶ 60.) Levh provided Crown with an ultimatum: either FZLZ would have to correct the record as to each of Crown's untrue statements, or Crown could voluntarily dismiss its case. (*Id.*) Crown chose the latter option, and on May 12, 2016, at 5:32 p.m., FZLZ filed a notice of voluntary dismissal pursuant to [Federal Rule of Civil Procedure 41\(a\)\(1\)\(A\)\(i\)](#). (Lehv Aff. ¶ 60; Dkt. No. 82: Not. of Dismissal.)

Crown sought sanctions. The Court found 1. Crown's claims were not colorless; 2. Crown and its law firm did not commence the action in bad faith.

However, Trophy Depot argued that counsel should have, in addition to voluntarily dismissing the case, corrected the client's mis-statements on the record.

The Court analyzed counsel's conduct in light of the competing obligations set out in N.Y. Rules of Professional Conduct ("NYRPC") 3.3(a)(3) and 1.6.

FZLZ was required to disclose Crown's deceptions only "if necessary" and only in the absence of any other remedial measures. *See* N.Y. Eth. Op. 837 (Mar. 16, 2010) ("Disclosure of the falsity, however, is required only 'if necessary.' Moreover, because counsel's knowledge constitutes confidential information under [Rule 1.6](#), and does not fall within any of the exceptions contained in [Rule 1.6\(b\)](#), if disclosure is not 'necessary' under [Rule 3.3](#), it would also not be permitted under [Rule 1.6](#). Therefore, if there are any reasonable remedial measures short of disclosure, that course must be taken."). Trophy Depot cites no authority affirmatively stating that dismissal is not a reasonable remedial measure (*see* Trophy Depot Reply to FZLZ Br. at 7-8) and, in any event, proffers no clear evidence that FZLZ dismissed the case in bad faith.

In the absence of clear evidence sufficient to permit a finding of bad faith with a high degree of specificity, the Court cannot impose sanctions on the basis of Crown's and FZLZ's claims, theories, and/or arguments. *See, e.g., Rates Tech. Inc. v. Broadvox Holding Co.*, 56 F. Supp. 3d at 529 ("[A]bsent clear evidence with a high degree of specificity, [the Court] cannot impose sanctions."); *MacDraw, Inc. v. CIT Group Equip. Fin., Inc.*, 73 F.3d 1253, 1262 (2d Cir. 1996) (vacating imposition of sanctions where "[t]he district court engaged in no detailed consideration of what conduct by plaintiff's counsel satisfied the bad faith requirement of § 1927").

## **2. Intentionally Failing to Carry out a Contract of Employment Entered into with a Client for Professional Services**

*Matter of Penkovsky*, 159 A.D.3d 1, 2–3, 68 N.Y.S.3d 77, 78 (N.Y. App. Div. 2017)

### **Synopsis**

The Attorney Grievance Committee instituted disciplinary proceedings against attorney who failed to intentionally failed to fulfill obligations under retainer agreement, neglected client's case, failed to reasonably consult with client, and misled client to believe that the litigation was proceeding when it was not

In 2015, the Attorney Grievance Committee (the Committee) brought disciplinary charges against respondent alleging violations of the Rules of Professional Conduct (RPC) (22 NYCRR § 1200.00) rules 1.3(b) (neglect), 1.3(c) (intentionally failing to carry out a contract of employment entered into with a client for professional services), 1.4(a)(2) (failure to reasonably consult with a client about the means by which the client's objectives are to be accomplished), 8.4(b) (illegal conduct that adversely reflects of one's honesty, trustworthiness or fitness as a lawyer), 8.4(d) (conduct prejudicial to the administration of justice), and 8.4(h) (other conduct that adversely reflects on one's fitness as a lawyer).

In April 2009, a client retained respondent to pursue a copyright infringement case involving the alleged unauthorized use of his photographs. The client paid respondent an advance legal fee of \$1,500 and agreed to an additional fee of one third of any net recovery after settlement or trial. Respondent took some minimal steps regarding the case but never commenced a lawsuit or took other significant action. Over a period of approximately three years, respondent was repeatedly unresponsive to the client's efforts to communicate with him in order to discuss the status of the case. Whenever the client was able to reach respondent,

respondent misled the client to believe that the litigation was proceeding in the normal course when it was not.

Between February and April 2012, an attorney wrote to respondent on behalf of the client in order to request a case update. Respondent did not respond despite the attorney's warning that a disciplinary complaint would be filed if respondent continued to ignore his requests. In August 2012, the client filed a complaint against respondent with the Committee. At a May 29, 2014 deposition, respondent, then pro se, admitted that he failed to communicate with the client and had not properly pursued his case. As a result, some or all of the client's copyright infringement claims were time-barred.

The Referee found that respondent intentionally failed to fulfill his obligations under the retainer agreement, neglected the client's case, failed to reasonably consult with his client, and misled his client to believe that the litigation was proceeding when it was not, in violation of RPC rules 1.3 (b), 1.3 (c), 1.4 (a) (2), and 8.4 (d). Accordingly, the Referee sustained charges one through four, which were based on these actions. *Matter of Penkovsky*, 159 A.D.3d 1, 3–4, 68 N.Y.S.3d 77 (N.Y. App. Div. 2017)

### **3. Sanctions Related To Perjury and Fraud on the Court: Lying In Depositions**

*Crown Awards, Inc. v. Trophy Depot, Inc.*, 2017 WL 564885 (S.D.N.Y.) (Feb. 3, 2017)

Attorneys escaped sanctions where client admitted that attorneys were unaware of perjuries during depositions and fabricated evidence.

“A Court has the inherent authority to sanction a party for committing a fraud on the court.” *Bravia Capital Partners Inc. v. Fike*, 09 Civ. 6375, 2015 WL 1332334 at \*3 (S.D.N.Y. Mar. 25, 2015); *see also, e.g., Residential Funding Corp. v. DeGeorge Fin. Corp.*, 306 F.3d 99, 106-07 (2d Cir. 2002) (“[A] court may impose sanctions on a party for misconduct in discovery

under its inherent power to manage its own affairs.”). A court also may use its inherent authority to sanction counsel for committing a fraud on the court. *Chen v. Wai? Cafe Inc.*, 2016 WL 722185 at \*3; *accord, e.g., In re Dynex Capital, Inc. Sec. Litig.*, 2011 WL 2581755 at \*4-5 (addressing whether counsel committed fraud on the court).

Fraud on the court “ ‘embrace[s] only that species of fraud which does or attempts to, defile the court itself ... so that the judicial machinery cannot perform in the usual manner its impartial task of adjudging cases that are presented for adjudication.’ ” *Kupferman v. Consol. Research & Mfg. Corp.*, 459 F.2d 1072, 1078 (2d Cir. 1972). Fraud on the court occurs where “ ‘a party has sentiently set in motion some unconscionable scheme calculated to interfere with the judicial system's ability impartially to adjudicate a matter by ... unfairly hampering the presentation of the opposing party's claim or defense.’ ” *Passlogix, Inc. v. 2FA Tech., LLC*, 708 F. Supp. 2d at 393. To support sanctions, evidence of such an unconscionable scheme must be established by clear and convincing evidence. *Scholastic, Inc. v. Stouffer*, 221 F. Supp.2d at 439.<sup>22</sup>

Generally, “[p]erjury alone does not constitute fraud upon the court.” *Skywark v. Isaacson*, 96 Civ. 2815, 1999 WL 1489038 at \*14 (S.D.N.Y. Oct. 14, 1999), aff'd, 2000 WL 145465 at \*3 (S.D.N.Y. Feb. 9, 2000). “[N]either perjury nor nondisclosure, by itself, amounts to anything more than fraud involving injury to a single litigant,” and, moreover, “ ‘[p]erjury and fabricated evidence are evils that can and should be exposed at trial.’ ” *Gleason v. Jandrucko*, 860 F.2d 556, 560 (2d Cir. 1988). Nevertheless, perjury can be considered fraud on the court “ ‘when a party lies to the court and his adversary intentionally, repeatedly, and about issues that are central to the truth-finding process.’ ” *Passlogix, Inc. v. 2FA Tech., LLC*, 708 F. Supp. 2d at 393.

Cases that have found “fraud on the court” typically involve the outright fabrication of key evidence, *see, e.g., Ades v. 57th St. Laser Cosmetica, LLC*, 2013 WL 2449185 at \*11-12 (defendant fabricated and testified in support of evidence establishing a complete defense to one of plaintiff’s theories of liability); *Scholastic, Inc. v. Stouffer*, 221 F. Supp. 2d at 440-45 (defendant fabricated and testified in support of multiple pieces of evidence that formed the basis for her counterclaims), or schemes to withhold evidence and/or lie repeatedly about matters vital to the case, *see, e.g., McMunn v. Mem’l Sloan-Kettering Cancer Ctr.*, 191 F. Supp. 2d at 446-60 (plaintiff lied under oath to prevent discovery of relevant evidence and deposition of key witness, altered audio evidence, fraudulently transferred assets and feigned homelessness to bolster damages, and refused to admit wrongdoing when confronted with evidence of deceptions); *Skywark v. Isaacson*, 1999 WL 1489038 at \*3-14 (plaintiff withheld discoverable documents and lied under oath to cover up evidence of malingering, engaged in court-supervised settlement discussions based on misleading record, and refused to admit wrongdoing when confronted with evidence of deceptions).

Crown witnesses Lori Rubin and Erin Andrews now admit to willfully lying in depositions in order to conceal the existence of Crown designer Valerie Bizzarro. (*See* page 8 above.) The record strongly suggests that Elyse Weisenfeld and Eric Diamond also willfully lied in depositions to conceal Bizzarro’s existence. (*See* pages 4-5, 8 n.5 above.) These depositions took place in April and May 2016 (*see* pages 4-6 above), and Crown voluntarily dismissed the case shortly thereafter.

The record also indicates falsehoods and inconsistencies with regard to interns. Andrews admits in her affidavit that she lied during her deposition when she denied knowledge of interns. (*See* page 8 above.) Rubin’s deposition testimony that some of the awards at issue “could have

been” designed by interns (Dkt. No. 121-10: Rubin Dep. at 122) is confirmed by her affidavit, in which she states that an intern “has now been identified as the author of twenty-three of the designs at issue.” (*See* pages 8-9 above.) This revelation conflicts with Crown's February 2016 interrogatory response indicating, in effect, “that the only persons involved in the design of [Crown's] products were [Lori] Rubin, [Eric] Diamond, and [Erin] Andrews.” (*See* page 3 above.) As Trophy Depot notes (*see* Dkt. No. 122: Trophy Depot Reply to FZLZ Br. at 3-4), the existence of interns and their possible relevance to this suit was revealed to FZLZ attorneys at an April 18, 2016 meeting—nearly a month before FZLZ withdrew from representation. (*See* pages 4, 8 above.) FZLZ's attorneys, however, made no attempt to amend those interrogatory responses or notify Trophy Depot's counsel. Because an intern designed twenty-three of the roughly two-hundred awards at issue, her existence was material to Trophy Depot's defense of Crown's claims of copyright infringement. (*See* pages 3, 13-14 above.)

Finally, Crown's witnesses lied during their depositions regarding Crown's use of third-party art during the award design process. Trophy Depot correctly notes (*see* Trophy Depot Reply to Crown Br. at 4) that Rubin testified that Crown's awards were “original,” meaning “designed without reference to any outside [or] ... third-party design.” (*See* pages 4-5 above.) Rubin states in her affidavit that she “should have” testified in deposition that “clip art and other images from time to time are used by our artists as a reference” during the design process. (*See* page 9 above.) Andrews' affidavit contains a similar admission regarding her use of third-party images during the design process. (*See* page 8 above.) Ms. Weisenfeld testified in deposition that she believed a particular award could not have been based on a third-party image “[b]ecause our designers designed it” (Dkt. No. 92-63: Weisenfeld Dep. at 113), but she was at the April 18, 2016 meeting at which Crown representatives admitted to FZLZ attorneys that “it was possible

that some of the [works] at issue had been designed by ... interns, who could have used stock photographs or clip art without authorization” (*see* page 4 above).

The record thus contains clear and convincing evidence of intentional falsehoods by Crown's witnesses that, to some extent, “hamper[ed] the presentation of [Trophy Depot's] ... defense” to Crown's claims of copyright infringement. *Passlogix, Inc. v. 2FA Tech., LLC*, 708 F. Supp. 2d at 393. Nevertheless, the falsehoods did not rise to the level of an “unconscionable scheme,” *id.*, that “ ‘defile[d] the court itself ... so that the judicial machinery cannot perform in the usual manner,’ ” *Kupferman v. Consol. Research & Mfg. Corp.*, 459 F.2d at 1078. Crown's deceptions implicated only some of its award design infringement claims; Crown's remaining design infringement, website and trademark infringement, and unfair competition claims were unaffected. As to the implicated infringement claims, the “ ‘judicial machinery’ ” did perform in the usual manner, *Kupferman v. Consol. Research & Mfg. Corp.*, 459 F.2d at 1078, insofar as Crown's falsehoods were brought to light through the discovery process and would have been brought to bear during trial, *cf. Gleason v. Jandrucko*, 860 F.2d at 560. Crown's deceptions affected only Trophy Depot; none of the tainted discovery was presented to or relied upon by the Court. The facts of this case are less egregious than those in cases where courts have found “fraud on the court.” (*See* cases cited at pages 20-21 above.) And as to FZLZ, Crown admits that it hid Bizzarro's existence from its own lawyers. (*See* page 8 above.)

Even if Crown's misconduct rose to the level of “fraud on the court,” sanctions still are not appropriate. When fraud on the court is established, the Court may use its discretion to determine an appropriate sanction by considering such factors as:

(i) whether the misconduct was the product of intentional bad faith; (ii) whether and to what extent the misconduct prejudiced the [other party]; (iii) whether there was a pattern of

misbehavior rather than an isolated instance; (iv) whether and when the misconduct was corrected; (v) whether further misconduct is likely to occur in the future.

*Scholastic, Inc. v. Stouffer*, 221 F. Supp. 2d at 444 (citing *McMunn v. Mem'l Sloan-Kettering Cancer Ctr.*, 191 F. Supp. 2d at 461).

Two of these factors weigh in favor of sanctions against Crown (but not FZLZ). First, at least some of Crown's misconduct was the product of intentional bad faith. As discussed above (see pages 8-9, 21, 22-23 above), Crown's witnesses now admit to lying during their depositions regarding the existence of Valerie Bizzarro and Crown's use of third-party images in the design process. Moreover, the conduct of multiple Crown representatives in concealing the existence of Valerie Bizzarro both in Crown's responses to interrogatories and at depositions certainly constituted a pattern of misbehavior rather than an isolated instance. **Crown's misconduct was unknown to FZLZ, as Crown's witnesses have admitted. (See page 8 above.)**

#### **4. Sanctions for concealing a settlement in a fee application under the Copyright Act**

*Bell v. Vacuforce, LLC*, 908 F.3d 1075 (7<sup>th</sup> Cir. 2018)

Copyright infringement defendant settled an action and obtained dismissal with prejudice. Defendant's attorney then applied for attorneys fees under §505 of the Copyright Act arguing that the dismissal "with prejudice" under the Copyright Act. In moving for attorneys fees, Defendant concealed the existence of the settlement. Court imposed \$500 sanction on attorney for misleading application. Counsel's argument that an "omission" cannot give rises to sanctions under Rule 11 was rejected.

#### **5. Sanctions avoided on meritless but not "objectively unreasonable/bad faith" copyright infringement claims**

*Sorenson v. Wolfson*, 683 Fed.Appx. 33 (2d Cir. 2017)(summary order)

Second Circuit affirmed district court's determination that a claim for copyright infringement by condominium owner against sponsor for allegedly infringing his floor plan was "meritless" but not "objectively unreasonable". The defendant's lengthy response was a factor the court took into consideration. Sanctions also denied for a meritless motion for reconsideration.

**6. Sanctions awarded for frivolous "motion to clarify" copyright infringement injunction**

*Disney Ents. V. VidAngel Inc.*, 2017 WL 6819882 (C.D. Cal. 2017)

District court denied a motion to clarify a copyright infringement injunction, stating that the injunction was clear and granting leave for further clarification motion on matters not clarified. Second motion to clarify addressed similar issues, after district court had lost jurisdiction because of a pending appeal. Movant withdrew motion and claimed Rule 11 21-day safe harbor. Held: sanctions were appropriate under court's inherent powers since motion was clearly attempt to modify, not clarify injunction, to engage in previously clearly-prohibited behavior. Attorneys fees granted as sanctions.

**7. Sanctions rejected for attorney affidavit not based on personal knowledge, exclusion appropriate remedy**

*Fameflynet, Inc. v. Jasmine Ents., Inc.*, 2018 WL 4590002 (N.D. Ill. 2018)

Where counsel's affidavit contained improper substantive testimony without record support and without showing a basis for personal knowledge, striking portions of counsel's affidavit appropriate remedy, not sanctions under Rule 11.

## **8. Sua sponte Rule 11 sanctions by court based on finding of frivolous litigation**

*J. Walter Thompson Puerto Rico, Inc. v. Latin American Music Company, Inc.*, 308 F.Supp.3d 611 (D. Puerto Rico April 6, 2018)

Court determined lawsuit to be frivolous based on prior documentation and statements in prior judicial proceedings, ordered attorneys to show cause, under seal as to why sanctions should not be imposed.

### **Excerpt below:**

The Court finds that this litigation is frivolous. A frivolous lawsuit may result in sanctions, such as an award of attorney's fees. Fed. R. Civ. P. 11(c). Federal Rule of Civil Procedure 11 ("Rule 11") provides that:

By presenting to the court a pleading, written motion, or other paper [...] an attorney or unrepresented party certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances [...] the claims, defenses, and other legal contentions are warranted by existing law or for establishing new law.

Fed. R. Civ. P. 11(b)(2). Courts employ an objective standard in determining whether a litigant and his or her attorney reasonably commenced and litigated a cause of action. *See Cruz v. Savage*, 896 F.2d 626, 630 (1st Cir. 1990) (affirming imposition of sanctions pursuant to Rule 11 because "plaintiffs' attorney's litigation of this claim was 'a vexatious time consuming exercise which bore no fruit.' "). While the imposition of Rule 11 sanctions does not require a finding of bad faith, a showing of at least culpable carelessness is required. *Citibank Global Mkts., Inc. v. Santana*, 573 F.3d 17, 32 (1st Cir. 2009). The following two circumstances persuade the Court

that this litigation is unfounded: (1) the 1995 agreement between LAMCO, ACEMLA and Balseiro and (2) representations made by LAMCO and ACEMLA in bankruptcy proceedings.

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This Court **ORDERS** Jelka L. Duchesne, Ibrahim Latiff–Carrasquillo, Robert Penchina, and Kelly D. Talcott, as counsel for LAMCO and ACEMLA, to submit individual filings addressing (1) whether LAMCO and ACEMLA claimed to own “Llegó la Navidad,” (2) on what basis counsel filed documents to the Court representing that LAMCO and ACEMLA own “Llegó la Navidad,” and (3) why the Court should not impose sanctions pursuant to Rule 11. To the extent that the information requested in this Order to Show Cause implicates the attorney-client privilege, the filings may be submitted under seal and accompanied by an explanation as to why the attorney-client privileged is implicated.

*J. Walter Thompson Puerto Rico Inc. v Latin Am. Music Co., Inc.*, 308 F Supp 3d 611, 618-20 [DPR 2018]

#### **9. No sanctions on copyright troll re-filing case in foreign jurisdiction**

*Pereira v 3072541 Can. Inc.*, 17-CV-6945 (RA), 2018 WL 5999636 (SDNY)(Nov. 15, 2018)

Copyright troll delayed SDNY case, dismissed without prejudice, and re-filed in California. Sanctions denied for lack of authority to sanction conduct before other courts.

#### **Excerpt:**

The Court is troubled by Mr. Liebowitz’s conduct in this case, as in many of his law firm’s hundreds of other copyright cases. *See, e.g., McDermott v. Monday Monday, LLC*, No. 17-CV-9230 (DLC), 2018 WL 1033240, at \*3 (S.D.N.Y. Feb. 22, 2018) (noting that “Plaintiff’s counsel, Richard Liebowitz, is a known copyright ‘troll,’ filing over 500 cases in this district

alone in the past twenty-four months” and warning him that future frivolous arguments or filings in other cases may be sanctionable). The Court finds particularly concerning Mr. Liebowitz’s repeated failures to follow the orders and rules of this Court and others within the district, as well as his propensity to take unreasonable positions and to omit crucial facts—or even to make outright misrepresentations—in an apparent attempt to increase costs and to extort unwarranted settlements. *See, e.g., Reynolds v. Hearst Commc’ns, Inc.*, No. 17-CV-6720 (DLC), 2018 WL 1229840, at \*4 (S.D.N.Y. Mar. 5, 2018) (finding that Mr. Liebowitz had “failed to comply with orders in this litigation, as he has in other lawsuits” and that he had “inevitably increase[d] the cost of litigation” by failing to disclose certain facts), reconsideration denied, 2018 WL 1602867, at \*2 (S.D.N.Y. Mar. 29, 2018); *Rudkowski v. MIC Network, Inc.*, No. 17-CV-3647 (DAB), 2018 WL 1801307, at \*3 & n.3 (S.D.N.Y. Mar. 23, 2018) (“caution[ing]” Mr. Liebowitz for making misrepresentations to the court); *Steeger v. JMS Cleaning Servs., LLC*, No. 17-CV-8013 (DLC), 2018 WL 1363497, at \*3 (S.D.N.Y. Mar. 15, 2018) (imposing educational and financial sanctions on Mr. Liebowitz for failing to comply with court orders and noting that Mr. Liebowitz’s submissions to the court evinced a “pattern of omissions and misrepresentations”).

Here, Mr. Liebowitz failed to follow this Court’s orders and rules in at least three ways: (1) by failing to serve the order of initial conference on Defendant; (2) by failing to submit his response to the Court’s order to show cause in a timely manner; and (3) by failing to comply with the Court’s Individual Rule 1(D) when requesting extensions of time. His other actions throughout even the short time span of this case—including but not limited to his delay in amending the complaint to sue the correct corporate defendant, his multiple requests for extensions of time, and his unreasonable settlement demands—are also troubling, especially given Plaintiff’s ultimate decision to dismiss the case voluntarily.

Despite these concerns, the Court is not persuaded that sanctions are justified in this particular case. Although the potential damages award in this case may well have been modest if not negligible, Mr. Liebowitz rightly notes in his opposition papers that there is no minimum amount of damages necessary to succeed in a copyright-infringement action under federal law and that, even where no damages can be proven, a copyright owner may be entitled to a declaratory judgment of infringement. *See On Davis v. The Gap, Inc.*, 246 F.3d 152, 159 (2d Cir. 2001), as amended (May 15, 2001) (“The existence of damages suffered is not an essential element of a claim for copyright infringement.”). That legal conclusion of course does not give Mr. Liebowitz or his law firm the right to vexatiously prolong litigation and thereby force his opposing counsel to incur needless expenses, particularly where damages awards are likely to pale in comparison to those costs and fees. Here, however, Plaintiff’s claims are at least colorable, and he dismissed the lawsuit voluntarily at an early stage in the litigation, before Defendant filed its response to the Amended Complaint.

Although a close question, under these circumstances, the Court exercises its discretion to deny Defendant’s request for sanctions under Rule 11, 28 U.S.C. § 1927, and 17 U.S.C. § 505. The Court thus need not address Plaintiff’s various legal arguments regarding the threshold applicability of those authorities to the circumstances here. Plaintiff’s cross-request for fees for responding to Defendant’s motion, meanwhile, is denied as meritless. The Court expresses no view as to whether Mr. Liebowitz’s decision to re-file the case in California is sanctionable, as it lacks the authority to sanction attorneys “for conduct that occurred in other courts.” *See Galonsky v. Williams*, No. 96-CV-6207 (JSM), 1997 WL 759445, at \*7 (S.D.N.Y. Dec. 10, 1997). To the extent that Mr. Liebowitz and/or his law firm engage in misconduct in the future, however, the Court will not hesitate to impose sanctions.

*Pereira v 3072541 Can. Inc.*, 17-CV-6945 (RA), 2018 WL 5999636, at \*3 [SDNY Nov. 15, 2018]

**10. Award of attorneys fees under Copyright Act §505 not same standard as Rule 11 sanctions**

*Sid Bernstein Presents, LLC v Apple Corps Ltd.*, 16CIV7084GBDKNF, 2018 WL 1587125, at \*3 [SDNY Mar. 29, 2018], appeal withdrawn, 18-1310, 2018 WL 5733511 [2d Cir Aug. 29, 2018]

Copyright infringement action: Rule 11 sanctions were rejected, but applying factors under Section 505 of the Copyright Act, an award of reasonable attorneys fees was warranted.

Plaintiff has failed to cite *any* authority for the proposition that just because a claim is not frivolous for purposes of Rule 11, attorneys' fees may not be awarded under § 505. (*See* Report at 11.)

**11. Rule 16 sanctions for failing to obey a scheduling order**

*TufAmerica, Inc. vCodigo Music LLC*, 2017 WL 3475499 (SDNY)(Aug. 11, 2017)

Pursuant to Rule 16, the Court can order sanctions if an attorney “fails to obey a scheduling or other pretrial order.” Fed. R. Civ. P. 16(f)(1). Specifically, it provides that the court “must order the [violating] party, its attorney, or both to pay reasonable expenses—including attorney's fees—incurred because of any noncompliance with this rule, unless the noncompliance was substantially justified or other circumstances make an award unjust.” Fed. R. Civ. P. 16(f)(2). “In deciding whether a sanction is merited, the court need not find that a party acted in bad faith. The fact that a pretrial order was violated is sufficient to allow some sanction.” *Estate of Shaw v. Marcus*, No. 14 Civ. 3849 (NSR) (JCM), 2017 WL 825317, at \*4 (S.D.N.Y. Mar. 1, 2017) (citing Charles Alan Wright, Arthur R. Miller, Mary Kay Kane &

Richard L. Marcus, 6A *Federal Practice and Procedure* § 1531 (3d ed. 2010)). The imposition of sanctions pursuant to Rule 16 is also within the sound discretion of the court. *See Neufeld v. Neufeld*, 172 F.R.D. 115, 118 (S.D.N.Y. 1997); *Mahoney v. Yamaha Motor Corp. U.S.A.*, 290 F.R.D. 363, 366-367 (E.D.N.Y. 2013).

*Stampin' Up!, Inc. v Hurst*, 2:16-CV-00886, 2018 WL 2018066, at \*2 [D Utah May 1, 2018]

Rule 16 of the Federal Rules of Civil procedure provides that a court “may issue any just orders, including those authorized by Rule 37(b)(2)(A)(ii)-(vii), if a party ... fails to obey a scheduling or other pretrial order.” Fed.R.Civ.P. 16(f)(1)(c). Rule 37 provides for certain sanctions when a party does not obey a discovery order, including “rendering a default judgment against the disobedient party.” Fed. R. Civ. P. 37(b)(2)(A)(vi).

“Default judgment” is a “harsh sanction that should be used only when a party’s noncompliance is due to ‘willfulness, bad faith, or any fault of the disobedient party and not when a party is unable to comply with a [pretrial] order.’” *See Klein–Becker USA, LLC v. Englert*, 711 F.3d 1153, 1159 (10th Cir. 2013) (alteration in original) (citation omitted). Courts should consider whether a sanction less than default judgment may be appropriate— “[p]articularly in cases in which a party appears pro se ....” *See Ehrenhaus v. Reynolds*, 965 F.2d 916, 920 n.3 (10th Cir. 1992). But courts should also be mindful that “a workable system of justice requires that litigants not be free to appear at their pleasure.” *Cessna Fin. Corp. v. Bielenberg Masonry Contracting, Inc.*, 715 F.2d 1442, 1444 (10th Cir. 1983). Courts “therefore must hold parties ... to a reasonably high standard of diligence in observing the courts’ rules of procedure.” *Id.*

Before entering default judgment, a court should consider factors set forth in *Ehrenhaus*. *Klein-Becker* 711 F.3d at 1159 (“To determine if a sanction such as ... default judgment is appropriate, courts should consider [the *Ehrenhaus* factors.]”). The factors are:

(1) the degree of actual prejudice to the [opposing party]; (2) the amount of interference with the judicial process; (3) the culpability of the litigant, (4) whether the court warned the party in advance that dismissal of the action would be a likely sanction for noncompliance; and (5) the efficacy of lesser sanctions.

*Ehrenhaus*, 965 at 921. (citations omitted) (internal quotation marks omitted). The court is mindful that “[i]n *Ehrenhaus*, [the Tenth Circuit] expressly stated the factors ‘do not represent a rigid test’...” *Lee v. Max Int’l, LLC*, 638 F.3d 1318, 1323 (10th Cir. 2011) (citation omitted). Instead, the factors “are simply a non-exclusive list of sometimes-helpful ‘criteria’ or guide posts the district court may wish to ‘consider’ in the exercise of what must always remain a discretionary function.” *Id.* In the next paragraph, the court considers the *Ehrenhaus* factors.

*Polaris Images Corp. v. CBS Interactive, Inc.*, No. 19-CV-3670 (VEC), 2019 WL 5067167, at \*2 (S.D.N.Y. Oct. 9, 2019)

Federal Rule of Civil Procedure 16(f)(1)(C) allows a district court, on motion or sua sponte, to impose sanctions on an attorney who “fails to obey a scheduling or other pretrial order.” The Rule’s “ ‘explicit reference to sanctions’ reflects the Rule’s intention to ‘encourage forceful judicial management’ ” and “vests a district court with ‘discretion to impose whichever sanction it feels is appropriate under the circumstances.’ ” *Huebner v. Midland Credit Mgmt., Inc.*, 897 F.3d 42, 53 (2d Cir. 2018) (quoting Advisory Committee’s notes to 1983 amendment of Fed R. Civ. P. 16(f)). A district court’s decision to impose sanctions under Rule 16(f) does not require a finding that the party acted in bad faith. *Huebner v. Midland Credit Mgmt., Inc.*, 897

F.3d 42, 53 (2d Cir. 2018); *Rice v. NBCUniversal Media, LLC*, No. 19-CV-447, 2019 WL 3000808 at \*3 (S.D.N.Y. July 10, 2019). A district court may impose sanctions under Rule 16(f) when there is “clear and convincing evidence that counsel disregarded a clear and unambiguous scheduling or other pretrial order.” *Rice*, 2019 WL 3000808 at \*3; *see also S. New England Tel. Co. v. Glob. NAPs Inc.*, 624 F.3d 123, 145 (2d Cir. 2010); 6A Charles Alan Wright et al., *Federal Practice and Procedure* § 1531 (3d ed. 2010) (“the fact that a pretrial order was violated is sufficient to allow some sanction.”).

The Court finds that a sanction under Rule 16(f)(1)(C) for Mr. Liebowitz’s violations is appropriate. The Court’s May 2 Order was clear and unambiguous. Mr. Liebowitz’s declaration and perfunctory explanation in response to the Court’s show-cause order is inadequate and wholly unconvincing.

*Rice v. NBCUniversal Media, LLC*, No. 19-CV-447 (JMF), 2019 WL 3000808, at \*3 (S.D.N.Y. July 10, 2019), *report and recommendation adopted*, No. 19-CV-447 (JMF), 2019 WL 3752491 (S.D.N.Y. Aug. 8, 2019)

The Court begins with Rule 16. Rule 16(f) authorizes sanctions for, among other things, the “fail[ure] to obey a scheduling or other pretrial order.” Fed. R. Civ. P. 16(f)(1)(C). “In deciding whether a sanction is merited [under Rule 16(f)], the court need not find that the party acted in bad faith.” *Huebner v. Midland Credit Mgmt., Inc.*, 897 F.3d 42, 53 (2d Cir. 2018) (internal quotation marks omitted). The Court need find only that there is clear and convincing evidence that counsel disregarded a clear and unambiguous scheduling or other pretrial order. *See id.* (“The fact that a pretrial order was violated is sufficient to allow some sanction.” (internal quotation marks omitted)); *see, e.g., S. New England Tel. Co. v. Glob. NAPs Inc.*, 624 F.3d 123, 145 (2d Cir. 2010).

## 12. Arguments made in good faith under Rule 11

*Ronaldo Designer Jewelry, Inc. v. Cox*, No. 1:17-CV-2-DMB-DAS, 2019 WL 3210075, at \*2 (N.D. Miss. July 16, 2019)

### Synopsis

Defendants James and Catherine Cox filed a Motion for Issuance of Request to Register of Copyrights pursuant to 17 U.S.C. § 411(b)(2). The court partially granted the motion and stayed the case pending a response by the Register. The court granted the motion to the extent Defendants brought good faith allegations seeking a request to the Register to determine whether the Copyright Office would have rejected the application for the Power of Prayer bracelet if it had known the bracelet was based on the Reuther window bracelet and whether the Copyright Office would have rejected the application for the Angelina bracelet if it had known the bracelet was based on the Reuther bar bracelet.

Allegations and arguments are made in good faith under Rule 11 when (1) they are not presented for any improper purpose; (2) they are “warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law;” (3) factual allegations, if any, “have evidentiary support” or are likely to have evidentiary support after an opportunity for investigation; and (4) denials of factual allegations, if any, “are warranted on the evidence, or are reasonably based on belief or a lack of information.” *See* Fed. R. Civ. P. 11(b).

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*Strike 3 Holdings, LLC v. Doe*, 331 F.R.D. 14, 19 (E.D.N.Y. 2019)

### Synopsis

Owner of copyright to adult motion picture filed a copyright infringement action against internet service subscriber who had allegedly downloaded and distributed motion picture through peer-to-peer file sharing. Copyright owner moved for expedited discovery ex parte. The Magistrate Judge, held that good cause did not exist to allow requested expedited discovery.

It is thus apparent that Strike 3 is deliberately asserting claims in a scattershot fashion against a broad array of individuals simply because it is confident that many of them will be liable – even if almost as many of them are not. Such pleading seems wholly inconsistent with the requirement that a plaintiff may not file a complaint for an improper purpose and that each of a plaintiff's claims must be predicated on a good faith belief in the claim's merit. *See* Fed. R. Civ. P. 11(b)(1)-(2). While I do not suggest that suing three people because two of them probably committed a provable copyright violation is a technical violation of Rule 11, the certainty that such an approach will impose needless burdens on innocent individuals counsels against a finding of good cause to permit expedited discovery.

### **13. Safe Harbor Provision of Rule 11**

*Mourabit v. Klein*, 393 F. Supp. 3d 353, 364–65 (S.D.N.Y. 2019), *order vacated in part on reconsideration*, No. 18 CIV. 8313 (AT), 2019 WL 4392535 (S.D.N.Y. Sept. 13, 2019)

### **Synopsis**

Makeup artist brought action against photographer, cosmetics companies, and associated individuals, claiming copyright infringement, unjust enrichment, unfair competition, and violation of New York General Business Law (GBL) prohibiting deceptive business practices, arising from defendants' use of magazine photograph featuring artist's makeup design in

advertisements. Defendants moved for sanctions. Plaintiff's offer to dismiss the claim (even without prejudice) immunized Plaintiff's counsel under Rule 11's safe harbor provision.

Plaintiff offered to dismiss the copyright claim three months before Defendants filed their motions for sanctions. Defendants, however, contend that Plaintiff's email was insufficient because it did not offer to dismiss the claim with prejudice. However, the email in question does not specify whether the voluntary dismissal would be with or without prejudice. More importantly, the rule does not state that the dismissal must be with prejudice and courts have found that a dismissal without prejudice is sufficient to bring the offending party within the protection of the safe harbor provision. *See Photocircuits Corp. v. Marathon Agents, Inc.*, 162 F.R.D. 449, 452 (E.D.N.Y. 1995) ("In this case, the complaint was voluntarily withdrawn prior to the filing of the motion, which act immunized plaintiff's counsel."). Furthermore, here Plaintiff's counsel made this offer before Defendants took the time and expense of engaging in motion practice. Accordingly, Plaintiff is within Rule 11's safe harbor provision and cannot be sanctioned.

*BlackRock Engineers, Inc. v. Duke Energy Progress, LLC*, No. 7:18-CV-33-D, 2019 WL 1301958, at \*4–5 (E.D.N.C. Mar. 20, 2019)

### **Synopsis**

Copyright infringement action. Duke Energy moved for sanctions against BlackRock. The court denied the motion because Black Rock did not act in bad faith concerning its copyright infringement claims.

Duke Energy seeks sanctions against BlackRock under Rule 11 of the Federal Rules of Civil Procedure, 28 U.S.C. § 1927, and the court's inherent power [D.E. 26]. Rule 11 requires an attorney to make a reasonable inquiry to determine that a complaint is well grounded in both fact and law, and is not filed for an improper purpose. *See* Fed. R. Civ. P. 11(b). In determining whether a complaint is well grounded in fact, “[a]n objective test is used to determine the reasonableness of a lawyer's prefiling investigation.” *In re Kunstler*, 914 F.2d 505, 514 (4th Cir. 1990) (quotation omitted). A complaint's factual allegations fail to satisfy Rule 11(b)(3) when the attorney has not obtained any corroborating information before filing. *See Morris v. Wachovia Sec., Inc.*, 448 F.3d 268, 277 (4th Cir. 2006). A legal argument violates Rule 11 (b)(2) when it has “absolutely no chance of success under the existing precedent.” *Hunter v. Earthgrains Co. Bakery*, 281 F.3d 144, 153 (4th Cir. 2002) (quotation omitted); *see Morris*, 448 F.3d at 277. However, a legal position must be more than unsuccessful to warrant sanctions. *See Hunter*, 281 F.3d at 153–54. Attorneys must be allowed to seek good faith expansions and changes of the law. *See* Fed. R. Civ. P. 11(b)(2); *Blue v. U.S. Dep't of Army*, 914 F.2d 525, 534–36 (4th Cir. 1990). Sanctions are warranted only when “a reasonable attorney in like circumstances could not have believed his actions to be legally justified.” *Hunter*, 281 F.3d at 153 (quotation omitted). Finally, a complaint violates Rule 11(b)(1) when an attorney files it without the central and sincere purpose of vindicating rights in court. *See Kunstler*, 914 F.2d at 518. Improper purposes include filing suit as leverage in separate proceedings, to obtain discovery for use in other proceedings, and to embarrass, intimidate, or harass. *See id.* at 519.

Under 28 U.S.C. § 1927, a court may award excess costs, expenses, and attorneys' fees incurred because “[a]ny attorney ... multiplies the proceedings in any case unreasonably and vexatiously.” 28 U.S.C. § 1927. Section 1927 “addresses a narrower field of conduct than that

which may be addressed under the court's inherent authority because § 1927 permits sanctions only for bad-faith conduct that wrongfully multiplies proceedings.” *Six v. Generations Fed. Credit Union*, 891 F.3d 508, 520 (4th Cir. 2018); *see E.E.O.C. v. Great Steaks, Inc.*, 667 F.3d 510, 522–23 (4th Cir. 2012); *In re Crescent City Estates, LLC*, 588 F.3d 822, 831 (4th Cir. 2009); *DeBauche v. Trani*, 191 F.3d 499, 511–12 (4th Cir. 1999); *Chaudhry v. Gallerizzo*, 174 F.3d 394, 410 (4th Cir. 1999); *Brubaker v. City of Richmond*, 943 F.2d 1363, 1382 n.25 (4th Cir. 1991); *Bakker v. Grutman*, 942 F.2d 236, 242 (4th Cir. 1991); *Blue*, 914 F.2d at 544–45 (collecting cases); *LaRouche v. Nat. Broadcasting Co.*, 780 F.2d 1134, 1140 (4th Cir. 1986); *Blair v. Shenandoah Women's Ctr., Inc.*, 757 F.2d 1435, 1438 (4th Cir. 1985). A court also may impose sanctions, including attorneys' fees, under its inherent power when the court finds bad faith in the conduct of litigation. *See Chambers v. NASCO, Inc.*, 501 U.S. 32, 43 (1991); *Brubaker*, 943 F.2d at 1382 n.25.

As for BlackRock's negligent misrepresentation claim, BlackRock withdrew its claim in response to Duke Energy's Rule 11 safe-harbor letter. *See* [D.E. 40] 13. As for BlackRock's fraud claim, BlackRock withdrew that claim after Duke Energy moved to dismiss and for sanctions. *See id.* Having reviewed the entire record, the court concludes that BlackRock did not violate Rule 11 or act in bad faith concerning its negligent misrepresentation or fraud claims. In its discretion, the court declines to impose sanctions even though BlackRock filed the claims in the second case after being denied the ability to amend its complaint in BlackRock I. *See id.* at 13–17. Finally, as for BlackRock's copyright infringement claim, BlackRock did not violate Rule 11 or act in bad faith, and its conduct does not warrant sanctions. Accordingly, the court denies Duke Energy's motion for sanctions and denies Duke Energy's request for a hearing.

#### **14. Sanctions under Rule 11 for Frivolous Copyright Lawsuits**

*J. Walter Thompson Puerto Rico, Inc. v. Latin Am. Music Co., Inc.*, 355 F. Supp. 3d 110, 115, 117-119 (D.P.R. 2019)

##### **Synopsis**

Advertising company brought interpleader action to resolve competing claims of ownership regarding a composition, which advertising company had obtained license from music publisher to use in an advertising campaign for a pharmacy store chain. Performing arts society and affiliated publisher asserted copyright infringement claims against advertising company, store chain, and music publisher.

After district court's grant of music publisher's motion for judgment on the pleadings and issuance of order to show cause on basis that copyright infringement claims were frivolous, 308 F.Supp.3d 611, music publisher moved for sanctions. District court referred to magistrate judge for report and recommendation on attorney's fees and sanctions.

The District Court, Besosa, J., adopted report and recommendation in part, and held that:

1 society and affiliated publisher were collaterally estopped from asserting ownership over composition, so as support issuance of sanctions, and

2 collaterally estopped copyright claims unreasonably multiplied proceedings, so as support issuance of sanctions.

A frivolous lawsuit may result in sanctions, such as an award of attorney's fees. Fed. R. Civ. P. 11(c). Courts employ an objective standard in determining whether a litigant and his or her attorney reasonably commenced and litigated a cause of action. *See Cruz v. Savage*, 896 F.2d 626, 630 (1st Cir. 1990) (affirming the imposition of sanctions pursuant to Rule 11 because “plaintiffs' attorney's litigation of this claim was ‘a vexatious time consuming exercise which

bore no fruit.’ ”); *Nyer v. Winterthur Int’l*, 290 F.3d 456, 462 (1st Cir. 2002) (affirming the imposition of sanctions pursuant to Rule 11, because “no attorney, particularly relying on this apportionment argument, could reasonably have believed that the facts of this case could sustain a claim against [the defendant]”). While the imposition of Rule 11 sanctions does not require a finding of bad faith, a showing of at least culpable carelessness is required. *Citibank Global Mkts., Inc. v. Santana*, 573 F.3d 17, 32 (1st Cir. 2009). Sanctions pursuant to Rule 11 “must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated.” Fed. R. Civ. P. 11(c)(4). Ultimately, the “imposition of sanctions is a judgment call.” *Kale v. Combined Ins. Co.*, 861 F.2d 746, 758 (1st Cir. 1988).

The assertion of copyright infringement claims against Walter Thompson, Peer International, and Walgreens unreasonably multiplied this proceeding. (Docket No. 14.) Indeed, Walgreens was not a party to this action until LAMCO and ACEMLA alleged that “Walgreens is liable to LAMCO/ACEMLA for copyright infringement.” *Id.* at p. 9. LAMCO and ACEMLA's baseless claims required Walter Thompson, Peer International, and Walgreens to file answers in defense of the copyright infringement allegations. (Docket Nos. 16, 22 and 25.) This litigation consumed considerable judicial resources. The Court held an initial scheduling conference, issued a Case Management Order, and adjudicated Peer International's judgement on the pleadings. (Docket Nos. 27, 51 and 56.) Consequently, the Court finds that the copyright infringement claims constituted “more than mere negligence, inadvertence, or incompetence.” *Cruz*, 896 F.2d at 631.

Disregarding preclusive precedent and asserting ownership over “Llegó la Navidad” warrants sanctions pursuant to Rule 11 and section 1927. Latiff and Talcott signed the pleading

that this Court deemed frivolous. (Docket No. 14 at p. 11.) Penchina and Duchesne did not appear in this litigation until after LACMO and ACEMLA filed the copyright infringement claims. Accordingly, the Court declines to sanction Penchina and Duchesne. Latiff complied with the Court's Order to Show Cause, stating that he relied on Talcott in hopes of learning from an attorney with experience in copyright law. (Docket No. 60 at p. 2.) According to Latiff, he did not participate in drafting the copyright infringement claims. *Id.* at p. 4. By signing LACMO and AMCELA's pleadings, however, Latiff affirmed that “the claims, defenses, and other legal contentions are warranted by existing law or by a nonfrivolous argument.” Fed. R. Civ. P. 11(b)(2). The Court declines to impose sanctions on Latiff. Instead, the Court cautions Latiff that failure to read and verify the accuracy of the pleadings he signs may result in sanctions in the future. Talcott flouted the Court's Order to Show Cause. The Court has no reason to doubt Latiff's contention that Talcott drafted the meritless copyright infringement allegations. (Docket No. 60.) Accordingly, the Court **SANCTIONS** Kelly D. Talcott in the amount of \$2,500.

Relitigating issues already disposed of in prior actions needlessly consumes judicial resources. LAMCO and ACEMLA were keenly aware that they do not own “Llegó la Navidad.” The Court cannot impose sanctions on LAMCO and ACEMLA pursuant to section 1927, because this provision applies only to counsel and *pro se* litigants. See *Bolivar v. Pocklington*, 975 F.2d 28, 33 n.13 (1st Cir. 1992) (“Section 1927 would not empower the district court to impose sanctions on [the plaintiff] in these circumstances, as it provides for sanctions only against ‘any attorney or other person admitted to conduct cases.’ ”). Pursuant to Rule 11, the Court “may not impose a monetary sanction ... against a represented party for violating Rule 11(b)(2).” Fed. R. Civ. P. 11(c)(5)(A). The Court possesses the inherent power to award attorney's fees if a party has acted “in bad faith, vexatiously, wantonly, or for oppressive

reasons.” *Chambers v. NASCO, Inc.*, 501 U.S. 32, 45, 111 S.Ct. 2123, 115 L.Ed.2d 27 (1991).

The magistrate judge already recommended, and the Court concurs, that LAMCO and ACEMLA must pay \$107,181.00 in attorney's fees.

Courts have repeatedly dismissed copyright infringement actions commenced by LAMCO and ACEMLA on collateral estoppel grounds. See *Banco Popular de P.R., Inc. v. Latin Am. Music Co.*, No. 01-1142, 2008 WL 11357808, 2008 U.S. Dist. LEXIS 125302 (Oct. 14, 2008) (Gelpí, J.) (holding that collateral estoppel demanded the dismissal of copyright infringement claims asserted by LAMCO and ACEMLA); see *Media Power Grp., Inc.*, 705 F.3d at 42 (1st Cir. 2014) (holding that “[t]he district court correctly concluded that LAMCO was collaterally estopped from litigating the claims as to the four Corretjer songs”). LAMCO and ACEMLA's pattern of asserting ownership over compositions they plainly do not own is troubling, vexatious, and an abuse of the judicial process.

## **15. Copyright infringement cease-and-desist letters and the first-to-file rule**

### **A. “Anticipatory” suit found – first-to-file rule defeated**

*Z-Line Designs, Inc. v Bell'O Intern., LLC*, 218 FRD 663, 664-65 [ND Cal 2003]

The parties do not dispute that the actions in the Northern District of California and District of New Jersey involve the same parties and issues. Defendant moves to dismiss this action by seeking to have the court disregard the first to file rule.

Bell'O asserts that, after giving notice of alleged infringement in its cease-and-desist letter to Z-Line and during the second deadline extension, provided for the purpose of promoting settlement, Z-Line improperly and in bad faith filed this action. Z-Line counters that it never

entered into settlement negotiations, and the deadline extensions to promote settlement were offered unilaterally by Bell'O.

After Bell'O refused to act on its cease-and-desist letter, Z-Line filed this complaint. For the reasons discussed below, the court finds defendant's story the more persuasive of the two, and grants Bell'O's motion to dismiss.

The “first to file” rule allows a district court to transfer, stay or dismiss an action when a similar complaint has been filed in another federal court. *Ward v. Follett Corp.*, 158 F.R.D. 645, 648 (N.D.Cal.1994); *Alltrade, Inc. v. Uniweld Products, Inc.*, 946 F.2d 622, 623 (9th Cir.1991). In applying this rule, a court looks at three threshold factors: (1) the chronology of the two actions; (2) the similarity of the parties, and (3) the similarity of the issues. *Ward*, 158 F.R.D. at 648; *Alltrade*, 946 F.2d at 625–26; *Pacesetter Systems, Inc. v. Medtronic, Inc.*, 678 F.2d 93, 95 (9th Cir.1982). The first to file rule “should not be disregarded lightly.” *Church of Scientology v. U.S. Dep't of the Army*, 611 F.2d 738, 750 (9th Cir.1979).

Even if the threshold factors of the first to file rule are met, “[w]ise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, does not counsel rigid mechanical solution of such problems.” *Alltrade*, 946 F.2d at 627–28 (citing *Kerotest Mfg. Co. v. C–O–Two Fire Equipment Co.*, 342 U.S. 180, 183, 72 S.Ct. 219, 96 L.Ed. 200 (1952).) District courts can, in the exercise of their discretion, dispense with the rule for reasons of equity. *Ward*, 158 F.R.D. at 648; *Alltrade*, 946 F.2d at 625–26. Circumstances under which the first to file rule will not be applied include bad faith, anticipatory suit, and forum shopping. *Alltrade*, 946 F.2d at 628 (citations omitted).

A suit is anticipatory when the plaintiff filed upon receipt of specific, concrete indications that a suit by defendant was imminent. *See Ward*, 158 F.R.D. at 648; *Guthy–Renker Fitness*,

*L.L.C. v. Icon Health & Fitness, Inc.*, 179 F.R.D. 264, 271 (C.D.Cal.1998). Such anticipatory suits are disfavored because they are examples of forum shopping. *Alaris Med. Sys. v. Filtertek, Inc.*, 64 U.S.P.Q.2d 1955 (S.D.Cal.2001) (citing *Mission Ins. Co. v. Puritan Fashions Corp.*, 706 F.2d 599, 602 n. 3 (5th Cir.1983)). Further, “[t]he Declaratory Judgment Act is not to be invoked to deprive a plaintiff of his conventional choice of forum and timing, precipitating a disorderly race to the courthouse.” *DeFeo v. Procter & Gamble Co.* 831 F.Supp. 776, 778 (N.D.Cal.1993); *Gribin v. Hammer Galleries*, 793 F.Supp. 233, 234–35 (C.D.Cal.1992). Application of the first to file rule in such situations would thwart settlement negotiations, encouraging intellectual property holders to file suit rather than communicate with an alleged infringer. *See Charles Schwab & Co. v. Duffy*, 49 U.S.P.Q.2d 1862, 1864 (N.D.Cal.1998); *Riviera Trading Corp. v. Oakley, Inc.* 944 F.Supp. 1150, 1158 (S.D.N.Y.1996) (potential plaintiffs should be encouraged to attempt settlement discussions prior to filing lawsuits without fear of preemptive suit by defendant). *Capitol Records, Inc. v. Optical Recording Corp.*, 810 F.Supp. 1350, 1353–55 (S.D.N.Y.1992).

A court may also refuse to apply the first to file rule if the balance of convenience weighs in favor of the later-filed action. *Ward*, 158 F.R.D. at 648. The balance of convenience should normally be weighed by the court in the first filed action. *Id.* (citing *Alltrade*, 946 F.2d at 628).

As an initial matter, the factors necessary for application of the first to file rule are all met here. Plaintiff's complaint for declaratory judgment was filed in the Northern District of California on July 29, 2003, two days before defendant's complaint was filed in the District of New Jersey. The parties are the same in both actions, and both actions involve alleged copyright and trade dress violations by Z-Line.

**B. Suit not anticipatory – first-to-file rule applied**

Here, Youngevity argues the Florida Action was anticipatory because Renew Life filed the Florida Action only after it discovered that it was the junior user of the mark and received a cease and desist letter from Youngevity. (Doc. No. 13, Fugate Decl., Ex. A.) The Court does not agree. Youngevity's demand letter never provided, specific, concrete indications that it was planning to file an imminent lawsuit against Renew Life. Instead, all the demand letter indicated was that Youngevity planned on continuing to use its ULTIMATE FLORA FX™ mark, and that Renew Life should cease and desist using its ULTIMATE FLORA™ mark. The demand letter concluded by instructing Renew Life to call “the undersigned at your earliest opportunity so we can discuss a resolution of the matter.” (*Id.*)

Therefore, although Youngevity argues that Renew Life indicated to Youngevity that it was available to discuss a possible resolution and instead “rushed off to the courthouse to reserve a jurisdiction in its home forum,” this does not support Youngevity's position that the Florida Action was anticipatory. (Doc. No. 19 at 13:17–19.) To the contrary, Renew Life may have filed the Florida Action following Youngevity's demand letter because it realized resolution of the matter outside the judicial context was impossible. Accordingly, the Court finds the Florida Action was not an anticipatory suit.

*Youngevity Intern., Inc. v Renew Life Formulas, Inc.*, 42 F Supp 3d 1377, 1384 [SD Cal 2014]

**16. Contempt for refusal to turn over discovery**

*Johnson v New Destiny Christian Ctr. Church, Inc.*, 615CV1698ORL37GJK, 2017 WL 1093446, at \*9-10 [MD Fla Mar. 23, 2017]

Here, Defendants have admittedly refused to comply with the Court’s discovery rulings based on their belief that: (1) such information is confidential and sensitive; and (2) Johnson will not adhere to the Court’s Nondisclosure Directive. (Doc. 117.) While Defendants represent that they have partially complied with the Affirmance Order by timely producing documents “sufficient to establish their respective net worth” (*id.* at 117), the Eleventh Circuit is clear that “substantial, diligent, or good faith efforts [to comply] are not enough.” *Leshin I*, 618 F. 3d at 1232 (“We do not focus on the subjective beliefs or intent of the alleged contemnors in complying with the order, but whether in fact their conduct complied with the order at issue.”(quoting *Ga. Power Co. v. Nat’l Labor Relations Bd.*, 484 F.3d 1288, 1291 (11th Cir. 2007))). Moreover, the Court’s own examination of the financial documents produced for New Destiny—which Johnson attached to her Motion for Default Judgment (Doc. 119–1)—reveals a woefully inadequate production. Thus, the Court finds Defendants in contempt for noncompliance with the Affirmance Order.

Turning now to the matter of sanctions, the Court is afforded “wide discretion in fashioning an equitable remedy in civil contempt.” *Leshin I*, 618 F. 3d at 1237. “Sanctions in civil contempt proceedings may be employed for either or both of two purposes: to coerce the defendant into compliance with the court’s order, and to compensate the complainant for losses sustained.” *Fed. Trade Comm’n v. Leshin (Leshin II)*, 719 F.3d 1227, 1235 (11th Cir. 2013) (quoting *Local 28 of Sheet Metal Workers’ Int’l Ass’n v. Equal Emp’t Opportunity Comm’n*, 478 U.S. 421, 443 (1986)). “Where compensation is intended, a fine is imposed, payable to the

complainant. Such fine must of course be based upon evidence of [the] complainant's actual loss, and his right, as a civil litigant, to the compensatory fine is dependent on the outcome of the basic controversy." *United States v. United Mine Workers of Am.*, 330 U.S. 258, 304 (1947). "But where the purpose is to make the defendant comply, the court's discretion is otherwise exercised. It must then consider the character or magnitude of the harm threatened by continued contumacy, and the probable effectiveness of any suggested sanction in bringing about the result desired." *Id.* In fixing the amount of a fine, the court must "consider the amount of defendant's financial resources and the consequent seriousness of the burden to that particular defendant." *Id.*

After considering its various options, *see, e.g., Watkins*, 943 F.2d at 1304, the Court concludes that the imposition of a coercive daily fine is the most appropriate sanction under the circumstances. The Court finds that neither coercive imprisonment nor criminal sanctions are warranted, and it is unable to fashion a compensatory fine where, as here, the *pro se* plaintiff will not incur attorney fees, and the merits of the instant action have not yet been resolved. The Court has already determined that the information requested may be properly compelled and that Defendants' refusal has impeded the progression of this action. And, as explained below, Defendants' contention that a contempt order is *per se* appealable is incorrect. Hence, going forwarded, the Court will require Defendant to pay Johnson \$100.00 for each day of noncompliance with the Affirmance Order.

**17. Rule 37 – Sanctions for not providing expert evidence during inspection**

*Sullivan v Flora, Inc.*, 15-CV-298-WMC, 2017 WL 1366110, at \*9-10 [WD Wis Apr. 12, 2017]

Court awarded attorneys fees as sanction for failure to provide expert access to financial information that the court previously directed copyright infringement defendant to provide. Court ordered a VPN be set up to assist in viewing financial information stored in Canada.

...the court, therefore, directed Flora to “not segregate financial information that’s available through the Flora financial system when the financial expert ... is out examining their records. And if through that system they can access to the Canadian company, you will allow access to that.” (*Id.* at 34; *id.* at 35 (further clarifying that if defendant has “access to that information from its computers, your expert is free to examine it”).)

Despite this direction and plaintiff’s list of financial records her expert hoped to view during his visit, defendant initially provided only screen shots of cost categories and margins for certain products, representing that receipts for expenses were all housed in Canada. As a result, the court ordered defendant to produce physical copies of invoices. Plaintiff also raised concerns about the lack of access to Flora Manufacturing & Distributing’s financial information. In response, the court also ordered the CFO of Flora Manufacturing, who was on site specifically to assist plaintiff’s expert with his review, to establish a VPN and provide access to the financial information of Flora Manufacturing to plaintiff’s expert. (11/14/16 Hr’g Tr. (dkt. #106) 16.)

**18. Statutory damages under Sections 505 and 1203 of the Copyright Act for default**

Court imposed willful statutory damages of \$75,000 under Section 505 together with a separate award of \$25,000 under Section 1203 together with attorneys fees where defendant copied website and refused to participate in discovery.

*Sweepmasters Professional Chimney Services, LLC v Vanessa Services*, 1:16CV439, 2017 WL 3927626, at \*6 [ED Va July 5, 2017], *report and recommendation adopted*, 1:16-CV-439, 2017 WL 3927602 [ED Va Sept. 7, 2017]

Court imposed maximum statutory damages of \$150,000 plus attorneys fees for defendants' failure to participate in action.

*Wilson v Natl. Bikers Roundup Inc.*, CV 3:15-4862-MGL-SVH, 2018 WL 3120668, at \*5 [DSC Feb. 26, 2018]

*Sony/ATV Music Publ. LLC v 1729172 Ontario, Inc.*, 3:14-CV-1929, 2018 WL 4007537, [MD Tenn Aug. 20, 2018](awarding hundreds of millions in statutory damages against willful infringement by karaoke disk producer)

**19. Sanctions for installing and using anti-forensic software following litigation hold to destroy documents**

Copyright infringement defendants concealed and hid a computer, then installed anti-forensic software on cell phones and other devices, such as Advanced Mac Cleaner and CleanMyMac to shred documents so that the documents could not be found by a forensic search.

**20. Sanctions for Intentional Spoliation of evidence in Copyright and Trademark Infringement Action the successors-in-interest to the estate of legendary rock guitarist Jimi Hendrix**

The trial judge must determine the appropriate sanction for spoliation of evidence on a case-by-case basis. *Fujitsu*, 247 F.3d at 436. Such sanctions should be designed to:

(1) deter parties from engaging in spoliation; (2) place the risk of an erroneous judgment on the party who wrongfully created the risk; and (3) restore the prejudiced party to the same

position [they] would have been in absent the wrongful destruction of evidence by the opposing party.

*West*, 167 F.3d at 779. Case-dispositive sanctions, however, “should be imposed only in extreme circumstances, usually after consideration of alternative, less drastic sanctions.” *Id.*

Considering these objectives, the Court imposes the following two sanctions, regarding (1) Andrew Pitsicalis' computer, iPhone, and desktop computer; and (2) Schmitt's computer, as to each of which the Court has found intentional spoliation. First, the Court will instruct the finder of fact that it may draw an adverse inference from the PHP parties' failure adequately to preserve and produce these materials, to wit, that the devices in question contained evidence of conduct by the PHP defendants in breach of their legal duties to plaintiffs in connection with the sale and marketing of Jimi Hendrix-related materials.

*Experience Hendrix, L.L.C. v Pitsicalis*, 17 CIV. 1927 (PAE), 2018 WL 6191039, at \*10 [SDNY Nov. 28, 2018]

**20. Rule 37 sanctions for disobedience and denying that judge's orders to produce discovery, electronically recorded, ever happened**

Defendants refused to provide electronically stored financial data, instead providing a spreadsheet created for the litigation. The Court specifically ordered counsel to produce the underlying ESI. Failure to comply was willful, in bad faith and counsel was ordered to pay 50% of the attorneys' fees related to the failure to comply.

[SDNY Dec. 15, 2017]

**21. Substantially justified or harmless failure to timely disclose evidence in contributory copyright infringement action**

*UMG Recordings, Inc. v. Grande Commc'ns Networks, LLC*, 384 F. Supp. 3d 743, 771–72 (W.D. Tex. 2019).

Under Federal Rule of Civil Procedure 37(c)(1), failure to timely disclose evidence allows exclusion of that evidence “unless the failure was substantially justified or is harmless.” Plaintiffs' presented arguments that these disclosures were not in fact untimely. (Dkt. # 179 at \*772 6–7.) But in any event, even if they were, such untimeliness was harmless because: (1) the evidence is fundamental to Plaintiffs claim; (2) Grande will suffer no demonstrable prejudice from permitting it; (3) the trial date in this case has been vacated and a new trial date has not yet been set; and (4) there is no evidence of willful misconduct or bad faith. *See Texas A & M Research Found. v. Magna Transp., Inc.*, 338 F.3d 394, 402 (5th Cir. 2003) (“In evaluating whether a violation of rule 26 is harmless, ... [courts are to] look to four factors: (1) the importance of the evidence; (2) the prejudice to the opposing party of including the evidence; (3) the possibility of curing such prejudice by granting a continuance; and (4) the explanation for the party's failure to disclose.”) (See also Dkt. # 179 at 7–11.) Moreover, Rule 37(c) permits—but does not require—exclusion of evidence untimely disclosed. Fed. R. Civ. P. 37(c) (describing alternative sanctions that can be imposed “[i]n addition to or instead of” exclusion).

For these reasons, the Court is not “left with the definite and firm conviction that a mistake has been committed” by the Magistrate Judge in denying Grande's motion for sanctions. The order was therefore not clearly erroneous and will not be modified or set aside.

## **22. Exclusion of the Approval Image Theory pursuant to Federal Rule of Civil**

### **Procedure 37(c)(1).**

*Photographic Illustrators Corp. v. Orgill, Inc.*, 370 F. Supp. 3d 232, 250–51 (D. Mass. 2019)

### **Synopsis**

Corporation specializing in commercial photography brought action against distributors of lighting fixtures and retailer of lighting fixtures, alleging copyright infringement, mishandling of copyright management information under the Digital Millennium Copyright Act (DMCA), and false designation of origin and false advertising under the Lanham Act. The District Court, Saris, J., 118 F.Supp.3d 398, granted summary judgment to one distributor on the DMCA and Lanham Act claims, but denied distributor's request for summary judgment on the copyright infringement claim. The case was then stayed pending resolution of an arbitration involving corporation, manufacturer, and other distributors. After the arbitrator issued an award resolving all of the claims in the arbitration, distributor renewed its motion for summary judgment on the copyright infringement claim, asserting that sublicense authorized its use of commercial photography corporation's images of manufacturer's products and argued that the arbitrator's award precluded corporation from contesting that defense. Corporation also moved for summary judgment. The court held that corporation's failure to adequately disclose theory during discovery in copyright infringement suit that distributor exceeded the scope of its sublicense agreement by use of “approval images” was not substantially justified or harmless, and therefore would be excluded.

Although PIC is not precluded from raising the approval images theory by the Partial Final Award, PIC did not adequately disclose the theory during discovery. A party must

supplement an interrogatory response “in a timely manner if [it] learns that in some material respect ... the response is incomplete.” Fed. R. Civ. P. 26(e)(1)(A). Failure to do so may result in the exclusion of the omitted information, “unless the failure was substantially justified or is harmless.” Fed. R. Civ. P. 37(c)(1). A district court has broad discretion to determine the appropriate sanction for failure to supplement discovery responses. *See id.* 37(c)(1)(C); *Genereux v. Raytheon Co.*, 754 F.3d 51, 59 (1st Cir. 2014) (“[P]reclusion is not automatic, and a lapse may be excused if the court determines that, in the particular circumstances, a different remedy is more condign.”).

Orgill propounded an interrogatory asking PIC to explain the basis for its allegation that OSI never authorized Orgill's use of PIC's images. The closest PIC came to referencing the approval image theory in its initial or supplemental response was its statement that “Orgill exceeded the scope of any rights it could have been granted by [OSI] in at least two respects” and then describing its attribution requirement and fee provision theories. *Id.* at 9-10. This reference to “at least two” ways in which Orgill exceeded the scope of its license plainly did not put Orgill on notice that the question of approval images would be an issue in this litigation. *See Anderson v. Cryovac, Inc.*, 862 F.2d 910, 929 (1st Cir. 1988) (“The purpose of discovery is to ‘make a trial less a game of blindman's buff and more a fair contest with basic issues and facts disclosed to the fullest practicable extent.’” (quoting *United States v. Procter & Gamble*, 356 U.S. 677, 682, 78 S.Ct. 983, 2 L.Ed.2d 1077 (1958) ) ). PIC's response to Orgill's interrogatory was materially incomplete because it omitted an entire theory upon which PIC relies to negate Orgill's license defense.

PIC's failure to disclose its approval images theory was not substantially justified or harmless. At the hearing, PIC's attorney stated that PIC did not advance this theory earlier

because it had other meritorious arguments. However, a plaintiff is not allowed to pick its battles and then seek to reopen a new front at the close of discovery. This type of strategic decision does not justify failing to disclose an entire theory upon which a motion for summary judgment is based. Picone's purported ability to easily recognize approval images belies any notion that PIC had no reason to be aware of Orgill's alleged use of approval images earlier. The failure to disclose was not harmless either, as it left Orgill with no discovery on the approval image issue. Orgill has no way of challenging the assertions in Picone's declaration that he did not intend to license use of approval images to OSI and that he recognizes some of the images Orgill used as approval images.

### **23. Establishing that a failure to disclose was substantially justified or harmless**

*Pohl v. MH Sub I, LLC*, 332 F.R.D. 713, 718 (N.D. Fla. 2019)

#### **Synopsis**

As part of copyright infringement lawsuit regarding before-and-after photographs of patient's teeth, dentist filed motion in limine to exclude certain website screenshots from internet archive and testimony of website developer, and website owners filed motion in limine and motion for sanctions. Court held that failure to preserve emails between plaintiff and witness did not warrant sanction of striking witness in absence of evidence or argument of bad faith on part of plaintiff in deleting the emails; however, court granted defendants wide latitude to cross-examine witness and plaintiff on the issue of the emails.

“The burden of establishing that a failure to disclose was substantially justified or harmless rests on the nondisclosing party.” *Mitchell v. Ford Motor Co.*, 318 F. App'x 821, 824 (11th Cir. 2009) (internal citation omitted).

In determining whether to exclude previously undisclosed evidence under Rule 37, this Court considers 1) the importance of the evidence, 2) the reason for the party's failure to disclose the evidence earlier, and 3) the prejudice to the opposing party if the evidence is considered. *Cooley v. Great S. Wood Preserving*, 138 F. App'x 149, 161-62 (11th Cir. 2005).

#### **24. Order Denying Sanctions under Federal Rule of Civil Procedure 37(c)1 upheld**

**because the untimeliness was harmless.**

*UMG Recordings, Inc. v. Grande Commc'ns Networks, LLC*, 384 F. Supp. 3d 743, 771–72 (W.D. Tex. 2019)

#### **Synopsis**

Record company brought contributory copyright infringement action against internet service provider (ISP), alleging that ISP continued to provide internet service to customers infringing copyright by making music recordings publicly available. Service provider moved for discovery sanctions.

The District Court adopted the opinion of the Magistrate Judge, which held that record companies' untimely disclosure of sworn declarations affirming copyright ownership was harmless.

Under Federal Rule of Civil Procedure 37(c)(1), failure to timely disclose evidence allows exclusion of that evidence “unless the failure was substantially justified or is harmless.” Plaintiffs' presented arguments that these disclosures were not in fact untimely. (Dkt. # 179 at \*772 6–7.) But in any event, even if they were, such untimeliness was harmless because: (1) the evidence is fundamental to Plaintiffs claim; (2) Grande will suffer no demonstrable prejudice from permitting it; (3) the trial date in this case has been vacated and a new trial date has not yet been set; and (4) there is no evidence of willful misconduct or bad faith. *See Texas A & M*

*Research Found. v. Magna Transp., Inc.*, 338 F.3d 394, 402 (5th Cir. 2003) (“In evaluating whether a violation of rule 26 is harmless, ... [courts are to] look to four factors: (1) the importance of the evidence; (2) the prejudice to the opposing party of including the evidence; (3) the possibility of curing such prejudice by granting a continuance; and (4) the explanation for the party's failure to disclose.”) (*See also* Dkt. # 179 at 7–11.) Moreover, Rule 37(c) permits—but does not require—exclusion of evidence untimely disclosed. Fed. R. Civ. P. 37(c) (describing alternative sanctions that can be imposed “[i]n addition to or instead of” exclusion).

For these reasons, the Court is not “left with the definite and firm conviction that a mistake has been committed” by the Magistrate Judge in denying Grande's motion for sanctions. The order was therefore not clearly erroneous and will not be modified or set aside.

## **25. Sanctions Imposed pursuant to Fed. R. Civ. P. 37(e) for Failure to Preserve**

### **Electronically Stored Information (ESI)**

*Paisley Park Enterprises, Inc. v. Boxill*, 330 F.R.D. 226, 232 (D. Minn. 2019)

#### **Synopsis**

Background: Personal representative for estate of late internationally known musician and corporation owned by estate brought state-court action against sound engineer, record labels, and others, asserting claims for breach of contract, conversion, misappropriation of trade secrets, copyright infringement, and trademark infringement, and seeking to enjoin defendants from promoting and distributing disputed recordings and to secure return of recordings to musician's estate. Following removal, plaintiffs filed amended complaints and served written discovery, and, when defendants failed to produce certain text messages, the court ordered that they produce responsive text messages by specified date. Plaintiffs then filed motion for sanctions due to

spoliation of evidence against record labels and their principals, and motion to compel discovery from sound engineer's law firm.

Holdings: The District Court, Tony N. Leung, United States Magistrate Judge, held that:

1 defendants' duty to preserve evidence arose no later than the date on which record label's principal sent an e-mail regarding his plans to release the music at issue;

2 defendants were required to take reasonable steps to preserve the text messages of two individuals who were principals of one record label and owners of another;

3 defendants failed to take reasonable steps to preserve the subject text messages; and

4 though the court would defer ruling on plaintiffs' request for an order presuming the destroyed evidence to be unfavorable to defendants or for an adverse inference instruction until a later stage of the case, the court would impose monetary sanctions for individuals' willful and intentional destruction of discoverable information, ordering defendants to pay plaintiffs' reasonable fees and costs, as well as \$10,000 fine to the court.

The Federal Rules of Civil Procedure require that parties take reasonable steps to preserve ESI that is relevant to litigation. Fed. R. Civ. P. 37(e). The Court may sanction a party for failure to do so, provided that the lost ESI cannot be restored or replaced through additional discovery. *Id.* Rule 37(e) makes two types of sanctions available to the Court. Under Rule 37(e)(1), if the adverse party has suffered prejudice from the spoliation of evidence, the Court may order whatever sanctions are necessary to cure the prejudice. But under Rule 37(e)(2), if the Court finds that the party “acted with the intent to deprive another party of the information's use in the litigation,” the Court may order more severe sanctions, including a presumption that the lost information was unfavorable to the party or an instruction to the jury that it “may or must

presume the information was unfavorable to the party.” The Court may also sanction a party for failing to obey a discovery order. Fed. R. Civ. P. 37(b). Sanctions available under Rule 37(b) include an order directing that certain designated facts be taken as established for purposes of the action, payment of reasonable expenses, and civil contempt of court.

A party is obligated to preserve evidence once the party knows or should know that the evidence is relevant to future or current litigation. *E\*Trade Sec. LLC v. Deutsche Bank AG*, 230 F.R.D. 582, 588 (D. Minn. 2005); *see also* Fed. R. Civ. P. 37(e), advisory committee's note to 2015 amendment (stating that rule requires preservation of evidence when litigation is reasonably foreseeable). “A variety of events may alert a party to the prospect of litigation.” Fed. R. Civ. P. 37(e), advisory committee's note to 2015 amendment. “The duty to preserve relevant evidence must be viewed from the perspective of the party with control of the evidence.” *Alabama Aircraft Indus., Inc. v. Boeing Co.*, 319 F.R.D. 730, 740 (N.D. Ala. 2017).

## **26. Motion to Dismiss the Action as a Sanction for Discovery Misconduct**

*Sands v. Bauer Media Grp. USA, LLC*, No. 17-CV-9215 (LAK), 2019 WL 4464672, at \*5 (S.D.N.Y. Sept. 18, 2019)

### **Synopsis**

Mr. Liebowitz, who was admitted to practice in the Southern District of New York in October 2015, filed 1,110 lawsuits in the S.D.N.Y from the beginning of 2016 through September 16, 2019. The judge wrote that “[t]here may well be justification for [the] implication [that a significant portion of the 1,110 cases] ... [have been] strike suits, designed to extort settlements from defendants on the basis that the defense costs would exceed what plaintiff would accept in settlement.” *Sands v. Bauer Media Grp. USA, LLC*, No. 17-CV-9215 (LAK),

2019 WL 4464672, at \*1 (S.D.N.Y. Sept. 18, 2019). The court ruled that Plaintiff's withholding of relevant information and other discovery misconduct warranted monetary sanctions.

The standards governing determination of sanctions issues under Rules 26 and 37(c), as outlined by the Second Circuit, are straightforward:

“In determining whether the District Court abused its discretion in imposing the sanction under Rule 37, we are governed by the standard set forth in *Patterson v. Balsamico*, 440 F.3d 104 (2d Cir. 2006). In *Patterson*, two defendants violated Rule 26(a)(3) by not timely disclosing the names of witnesses they planned to call at trial. *Id.* at 117. The District Court granted the plaintiff's motion to preclude, except as to one witness who was named in the original complaint and whose testimony reasonably could have been anticipated. *Id.* On appeal to this Court, we held that “[i]n determining whether the district court acted within its discretion, this Court [must] consider[ ] ‘(1) the party's explanation for the failure to comply with the [disclosure requirement]; (2) the importance of the testimony of the precluded witness[es]; (3) the prejudice suffered by the opposing party as a result of having to prepare to meet the new testimony; and (4) the possibility of a continuance.’ ” *Id.* (citing *Softel, Inc. v. Dragon Med. & Scientific Commc'ns, Inc.*, 118 F.3d 955, 961 (2d Cir. 1997)) (brackets in *Patterson*). Thus, although a “bad-faith” violation of ...Rule 26 is not required in order to exclude evidence pursuant to Rule 37, it can be taken into account as part of the party's explanation for its failure to comply.”

**27. Rule 37 and Rule 26 Sanctions excluding expert testimony**

*Design Basics, LLC v Forrester Wehrle Homes, Inc.*, 3:15CV00666, 2017 WL 5467152,  
[ND Ohio Nov. 14, 2017]

Before an expert can testify at trial, “Federal Rule 26(a)(2) requires that each expert witness prepare and sign a written report containing his ... opinions as well as other pertinent information.” *Cohlma v. Ardent Health Servs., LLC*, 254 F.R.D. 426, 429 (N.D. Okla. 2008).

That report must contain:

(i) a complete statement of all opinions the witness will express and the basis and reasons for them;

(ii) the facts or data considered by the witness in forming them;

(iii) any exhibits that will be used to summarize or support them;

(iv) the witness's qualifications, including a list of all publications authored in the previous 10 years;

(v) a list of all other cases in which, during the previous 4 years, the witness testified as an expert at trial or by deposition; and

(vi) a statement of the compensation to be paid for the study and testimony in the case.

Fed. R. Civ. P. 26(a)(2)(B).

Rule 26 also requires a litigant to “supplement or correct” an initial disclosure if it learns “that in some material respect the disclosure ... is incomplete or incorrect, and if the additional corrective information has not otherwise been made known” to the opposing party. Fed. R. Civ. P. 26(e)(1)(A). “For an expert whose report must be disclosed under” subsection (a)(2)(B), the duty to supplement “extends to both information included in the [expert's] report and to information given during the expert's deposition.” Fed. R. Civ. P. 26(e)(2).

“A litigant who fails to comply with these requirements does so at his own peril.”

*Cohlmia, supra*, 254 F.R.D. at 429. As Rule 37(c)(1) expressly states, “If a party fails to provide information or identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that information or witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or harmless.”

The exclusionary penalty in Rule 37(c) “is a mandatory, self-executing sanction.” *Bekaert Corp. v. City of Dyersburg*, 265 F.R.D. 573, 578 (W.D. Tenn. 2009). Thus if the original, or supplemental Kraly report is incomplete under Rule 26, “exclusion is automatic” short of substantial justification or harmlessness. *Id.*; *see also Roberts ex rel. Johnson v. Galen of Va., Inc.*, 325 F.3d 776, 782 (6th Cir. 2003).

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