No. 11-10977

**IN THE
UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT**

MICK HAIG PRODUCTIONS, E.K.,
Plaintiff

v.

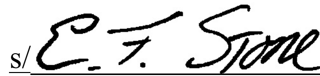
DOES 1-670, ET AL
Defendants – Appellees

v.

EVAN STONE
Appellant

BRIEF OF APPELLANT EVAN STONE

**On Appeal from the United States District Court
for the Northern District of Texas, Dallas Division
CA No. 3:10-cv-01900-N (Godbey, D.)**

s/
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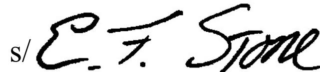
Appellant

CERTIFICATE OF INTERESTED PERSONS

The undersigned counsel of record certifies that the following listed persons have an interest in the outcome of appeal, No. 11-10977:

1. Evan Stone, Appellant;
2. Does 1 – 670, Appellees;
3. The Electronic Frontier Foundation, Counsel for Appellees (Matthew Zimmerman, Paul Alan Levy).

Respectfully submitted,

s/

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Appellant

REQUEST FOR ORAL ARGUMENT

The Appellant, Evan Stone, respectfully requests oral argument. This appeal is from an Order sanctioning attorney Evan Stone pursuant exclusively to Rules 26 and 45 of the Federal Rules of Civil Procedure for subpoenas served in error. This appeal raises important issues concerning the operation of the Federal Rules of Civil Procedure, some of which are issues of first impression in this Court. Oral discussion of the facts, statutes and applicable precedent would benefit the Court.

Table of Contents

CERTIFICATE OF INTERESTED PERSONS..2

REQUEST FOR ORAL ARGUMENT...3

STATEMENT OF JURISDICTION 9

STATEMENT OF THE ISSUES...9

STATEMENT OF THE CASE...10

A. Proceedings Below 10

B. Statement of the Facts...11

SUMMARY OF THE ARGUMENT 17

ARGUMENT...25

A. Standard of Review 25

B. Rule 26 of The Federal Rules of Civil Procedure Does Not Require Sanctions for Subpoenas Issued in Error 25

C. Rule 45 Does Not Require Sanctions in this Case...29

i. An attorney whose representation of a party has expressly terminated has no authority to move for sanctions on that party's behalf.......................................29

ii. Rule 45 of the Federal Rules of Civil Procedure Does Not Require Sanctions When No Person Subject to a Subpoena Has Been Burdened by that Subpoena 32

D. If the Person Subject to a Subpoena and the Movant for Sanctions Regarding that Subpoena Are Not the Same Person, the Person Subject

to the Subpoena, and Not the Movant, is the Proper Recipient of Lost Earnings and Attorney's Fees Pursuant to Rule 45(C)(1) 48

i. A remand is at least necessary to award attorney's fees to the correct recipient...52

ii. If attorney's fees were awarded to the correct persons, the fees should be reduced and the EFF should disburse these fees to its clients 53

E. If a Court Sanctions an Attorney Pursuant Exclusively to Mandatory Statutes Requiring Sanctions Rather than its Inherent Power to Sanction, and the Mandatory Statutes Are Later Found Inapplicable, the Sanctions Cannot Rest on the Court's Equitable Powers Alone 54

i. Only the District Court may invoke its inherent power to sanction 54

ii. The mens rea required for a Chambers sanction cannot be construed from the imposition of mandatory sanctions..57

iii. Appellant's conduct did not rise to the level of bad faith...............................59

iv. If Appellant's conduct is sanctionable under the District Court's inherent powers but not Rule 45 or Rule 26, the sanction must be limited to attorney's fees 60

CONCLUSION 62

TABLE OF AUTHORITIES

CASES

Page

Am. Int'l Life Assur. Co. v. Vazquez, 2003 U.S. Dist. LEXIS 2680 (S.D.N.Y. 2003)....59

Bruno v. Starr, 247 Fed. Appx. 509 (5th Cir. 2007)....24

Builders Ass'n of Greater Chicago v. City of Chicago, 2002 WL 1008455 (N.D. Ill. May 13, 2002)....33

Caminetti v. United States, 242 U.S. 470 (1917)....26

Chambers v. Nasco, Inc., 501 U.S. 32 (1991)....34, 36, 38, 53, 54, 55, 56, 58, 59, 60

Cincinnati Ins. Co. v. Cochran, 198 Fed. Appx. 831 (11th Cir. 2006)....33

Dastar Corp v. Twentieth Century Fox Film Corp, 539 U.S. 23 (2003)....27

Digital Resource, L.L.C. v. Abacor, Inc. 246 B.R. 357 (8th Cir. 2000)....59

Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539 (1985)....40

In re Capital Cities/ABC, Inc., 918 F.2d 140 (11th Cir. 1990)....40

In re Rollings, 2008 Bankr. Lexis 993 (S.D. Tex. 2008)....58

Maguire Oil Co. v. City of Houston, 143 F.3d 205 (5th Cir. 1998)....24

Mathur v. Board of Trs. Of S. Ill. Univ., 317 F.3d 738 (7th Cir. 2003)....52

Molefi v. Oppenheimer Trust, 2007 U.S. Dist. LEXIS 10554, (E.D.N.Y. 2007)....33

National Railroad Passenger Corp. v. National Association of Railroad Passengers, 414 U.S. 453 (1974)....25

North American Rescue Products, Inc. v. Bound Tree Medical, LLC, 2009 U.S. Dist. Lexis 118316 (S.D. Ohio 2009)....46, 56

Polo Bldg Group, Inc. v. Rakita, 253 B.R. 540 (9th Cir. 2000)....33

Ray A. Scharer & Co. v. Plabell Rubber Prods., Inc.,
858 F.2d 317 (6th Cir. 1988)..58

Recording Indus. Ass'n of Am., Inc. v. Verizon Internet Servs.,
351 F.3d 1229 (D.C. Cir. 2003) 12

Recording Indus. Ass'n v. Charter Communs., Inc.,
393 F.3d 771 (8th Cir. 2005)...12

Tennessee Valley Authority v. Hill, 437 U.S. 153 (1978)....................................25

Theofel v. Farey-Jones, 341 F.3d 978 (9th Cir. 2003)..58

Tiberi v. Cigna Ins. Co., 40 F.3d 110 (5th Cir. 1994)..................................17, 25

Sony Music Entm't, Inc. v. Does 1-40,
326 F. Supp. 2d 556 (S.D.N.Y. 2004)...40, 41

United States v. Flores-Gallo, 625 F.3d 819 (5th Cir. 2010)..............................26

United States v. Grant, 218 F.3d 72 (1st Cir. 2000)..42

United States v. Perez, 484 F.3d 735 (5th Cir. 2007)...42

Universal City Studios, Inc. v. Reimerdes,
82 F. Supp. 2d 211 (S.D.N.Y. 2000)..40

Venegas v. Mitchell, 495 U.S. 82 (1990)..52

RULES

Fed. R. Civ. P. 26...17, 25-29, 31, 49, 52, 56, 60

Fed. R. Civ. P. 45..................12, 13, 17, 18, 20-23, 25-29, 32-39, 45, 46, 48-53, 56, 60

Fed. R. Civ. P. 34..27

Fed. R. Civ. P. 21..40

Fed. R. Civ. P. 41..40

MISCELLANEOUS

Black's Law Dictionary (3d Pocket Ed. 2006)..27

Comment 1 to Rule 1.02 of the
Texas Disciplinary Rules of Professional Conduct..58

Federal Practice and Procedure (3d ed. 2004)..30

Moore's Federal Practice (3d ed. 2011)..30

Reply of Movants/Proposed Ad Litem Counsel
Matthew Zimmerman, Michael Findlay and Eric Findlay
to Plaintiff's Response to Order Regarding Ad Litem
Appointment, FUNimation Entertainment v. Does 1-1,427
CA. No. 2:11-cv-00269 (N.D. Tex. Dec. 15, 2011)(Folsom, D.)...............................31

Rule 45 advisory committee's note – 1991 amendment...26

Rule 11 advisory committee's note - 1983 amendment..30

Statement of Jason Weinstein, Deputy Assistant Attorney General, before the
Committee on Judiciary, Jan. 25, 2011..13

Verizon Online – Civil Subpoena Policy...46

STATEMENT OF JURISDICTION

Jurisdiction of this Court is invoked under Section 1291, Title 18 of the United States Code, as an appeal from a final decision of a District Court of the United States.

STATEMENT OF THE ISSUES

ISSUE ONE: Does Rule 26[1] require sanctions for subpoenas served in error?

ISSUE TWO: Does a non-party organization have authority to move for sanctions on a party's behalf if the organization's ad litem representation of that party has expressly terminated?

ISSUE THREE: Does Rule 45 require sanctions when no person subject to a subpoena has been burdened by that subpoena?

ISSUE FOUR: If the person subject to a subpoena and the movant for sanctions regarding that subpoena are not the same person, whose lost earnings and reasonable attorney's fees does Rule 45(c)(1) refer to?

[1] All references to "Rule" or "Rules" in this brief refer to the Federal Rules of Civil Procedure, unless otherwise noted.

ISSUE FIVE: If a court sanctions an attorney pursuant exclusively to mandatory statutes requiring sanctions rather than its inherent power to sanction, and the mandatory statutes are later found inapplicable, can the sanctions rest on the court's equitable powers alone?

STATEMENT OF THE CASE

A. Proceedings Below

Appellant Evan Stone is an attorney whose law practice focuses on intellectual property and internet law, and is licensed to practice in the United States District Court for the Northern District of Texas ("the District Court"). Appellant is acting *pro se* in this matter, and only on his own behalf. Appellees were a group of 670 anonymous defendants ("the John Does") to a copyright infringement suit in which Appellant acted as Plaintiff's counsel, *Mick Haig Productions, e.K., v. Does 1-670.* Plaintiff voluntarily dismissed that case.[2] This is an appeal from an Order by the District Court granting Appellees' motion for sanctions

[2] R:220. R:220 refers to the Record on Appeal, page 220. All future references to the Record on Appeal in this brief will be made in this format.

against Appellant,[3] pursuant exclusively to Rules 45 and 26 of the Federal Rules of Civil Procedure.[4] Appellees were represented in the District Court, and are represented in this appeal by staff attorneys from the San Francisco-based Electronic Frontier Foundation ("EFF"), a nonprofit organization renowned for defending and supporting accused copyright infringers nationwide and intervening in copyright and patent litigation through various means such as the filing of amicus briefs.

B. Statement of the Facts

From June, 2010 to September, 2010, Plaintiff Mick Haig, an adult motion picture production company, observed and tracked the unauthorized distribution of its copyrighted film, *Der Gute Onkel*, on the internet via the BitTorrent peer-to-peer client.[5] As infringements were observed, Mick Haig recorded the Internet Protocol ("IP") addresses of the internet accounts used to make each distribution, and

[3] R:298.
[4] R:311-312 ("The Court therefore finds that [Appellant] deserves sanctions under Rules 26 and 45 for issuing invalid subpoenas").
[5] R:7.

the date and time of distribution.[6] Mick Haig sought to identify the account holders responsible for the offending internet accounts, as they were the appropriate defendants - or at least essential witnesses - to one or more suits for copyright infringement.[7] However, an IP address, by itself, is insufficient to identify an account holder.[8] An account holder's Internet service provider is the *only* entity with access to records linking IP addresses to account holders on any given date and time.[9] A service provider's cooperation, therefore, is crucial to any litigation involving anonymized IP addresses. Many service providers refuse to disclose this information without a court order, or to comply with pre-litigation Copyright Act subpoenas when they are served in the context of peer-to-peer file sharing litigation.[10] Accordingly, Mick Haig filed a federal lawsuit on September 21, 2010 against 670 unnamed "Doe" defendants, intending to obtain the identities of account holders from their respective internet service providers via orthodox Rule 45 subpoenas, and to litigate, settle or dismiss its claims against

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[6] R:12-27, 32-33.
[7] R:34.
[8] R:33.
[9] *Id.*
[10] *See generally* Recording Indus. Ass'n of Am., Inc. v. Verizon Internet Servs., 351 F.3d 1229 (D.C. Cir. 2003); Recording Indus. Ass'n v. Charter Communs., Inc., 393 F.3d 771 (8th Cir. 2005).

such persons as appropriate.[11] Appellant acted as Mick Haig's attorney in that matter.[12]

On September 30, 2010, Mick Haig filed a Motion for Leave to Take Discovery Prior to Rule 26(f) Conference ("the Discovery Motion"),[13] and requested leave to serve Rule 45 subpoenas on the relevant service providers.[14] Service providers dispose of the IP records Mick Haig sought as a matter of policy and routine.[15] Some service providers dispose of the materials in a matter of weeks, or even immediately.[16] These policies, Plaintiff contended, created an emergency, making expedited discovery - or at least a preservation order - necessary.[17]

On October 21, 2010, the District Court issued a single-page order in response to Plaintiff's Discovery Motion ("Discovery Order #1), requiring the relevant service providers to preserve the identifying

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[11] R:6.
[12] R:11.
[13] R:34.
[14] R:35.
[15] R:34-35 ("[S]uch logs are only retained for a short period of time").
[16] *See generally* Statement of Jason Weinstein, Deputy Assistant Attorney General, before the Committee on Judiciary, Jan. 25, 2011, p. 3, available at http://judiciary.house.gov/hearings/pdf/Weinstein01252011.pdf ("[One] cable Internet provider does not keep track of the Internet protocol addresses it assigns to customers, at all. Another keeps them for only seven days").
[17] R:34-35.

information Plaintiff sought, requiring Plaintiff to serve the Order on the affected service providers and allowing the service providers thirty days to respond to Plaintiff's Discovery Motion.[18] On the following day, October 22, 2010, Plaintiff served Discovery Order #1 on all affected service providers along with lists of IP addresses by which infringing activity occurred and subpoenas requesting the identifying information of those account holders. After the expiration of thirty days, no affected service provider had objected to Plaintiff's Discovery Motion. On October 25, 2010, the District Court issued *another* discovery order ("Discovery Order #2"), appointing EFF attorneys to serve as attorneys ad litem for the John Does for the express purpose of contesting Plaintiff's Discovery Motion, and stipulating that this appointment would terminate upon disposition of Mick Haig's Discovery Motion.[19] It is critical to note that the District Court entirely overlooked the fact that its act of entering of an appearance of counsel for the defense simultaneously obviated the entire purpose of Plaintiff's Discovery Motion, which was to proceed with discovery in the absence of opposing counsel to confer with. In addition to overlooking the then-timely

[18] R:40.
[19] R:62.

discovery conference, the District Court never entered a Scheduling Order as required by Rule 16(b).

On November 24, 2010, ostensibly in adherence to the Court's limited appointment to oppose discovery *ab initio*, the EFF attorneys filed an Objection to Plaintiff's Discovery Motion,[20] to which Plaintiff responded on December 26, 2010. [21]After another two months without discovery authorization from the District Court, and more than four months after the filing of its Original Complaint, Plaintiff voluntarily dismissed the action with prejudice,[22] contending that it had "lost any meaningful opportunity to pursue justice in this matter."[23] This dismissal operated to terminate the EFF's ad litem status per the terms of Discovery Order #2, because dismissal conclusively disposed of the Discovery Motion that constituted the express scope and basis of the EFF's appointment.[24]

On February 11, 2011, the EFF moved for sanctions on the basis that Appellant had served subpoenas on service providers in the

[20] R:65.
[21] R:175.
[22] R:220.
[23] R:221.
[24] *See* R:62 ("[T]he Court appoints the [EFF] to serve as attorneys ad litem, without compensation, for the Defendant Does. This appointment will terminate upon the disposition of the Discovery Motion").

absence of an order granting Plaintiff's Discovery Motion.[25] On September 9, 2011, the District Court ordered sanctions against Appellant and an award of attorney's fees to the EFF.[26] On October 9, 2011, appellant brought this appeal, seeking a complete reversal of the District Court's order for sanctions and attorney's fees.[27]

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[25] R:222.
[26] R:298.
[27] R:353.

SUMMARY OF THE ARGUMENT

The statutory provisions at issue in this appeal are Rule 26 (g) and 45(c)(1) of the Federal Rules of Civil Procedure. Rule 26(g) provides for mandatory sanctions if an attorney, without substantial justification, signs a discovery request, *inter alia*, that is not, to the best of the attorney's knowledge, information, or belief formed after a reasonable inquiry, consistent with the Federal Rules of Civil Procedure and warranted by existing law or by a nonfrivolous argument for extending the law. Rule 26(g) lists the discovery procedures for which an attorney may be sanctioned under that Rule, and a subpoena is not among them. Specifically, a subpoena is *not* a discovery request. Rule 26 is therefore inapposite to third-party subpoenas. Moreover, a strained reading of Rule 26(g) is unnecessary and redundant when Rule 45(c)(1) exists specifically to address subpoena abuses. This court has specifically held that subpoena abuses should be sanctioned under Rule 45, and not Rule 26,[28] and Appellant asks the Court to reaffirm that

[28] *See* (Tiberi v. Cigna Ins. Co., 40 F.3d 110 n.d.), 112 (5th Cir. 1994) ("The sanctions provisions of Rules 26 and 37 authorize expenses against a party *resisting* discovery by unreasonably necessitating a motion to compel or by unreasonably moving for a protective order. There is neither warrant nor need to strain the express language of these rules given the ready applicability of another rule. Rule 45(c)(1) specifically provides for sanctions, including "lost

holding here. If the Court so holds, any subsequent analysis should be limited to Rule 45.

As a threshold issue, Appellant challenges the authority of the EFF to move for sanctions on the John Does' behalf. Moreover, as a non-party, the EFF lacked standing to move for sanctions independent of the John Does. EFF staff attorneys had been appointed as attorneys ad litem to represent the John Does. However, that appointment terminated by its own terms upon the disposition of Plaintiff's Discovery Motion. This disposition was concomitant with, and a necessary result of, Plaintiff's voluntary dismissal of the case. The EFF purportedly moved for sanctions on the John Does' behalf only after its representation of the Does had terminated pursuant to a court order. The EFF, therefore, lacked the authority to so move, and Appellant requests that sanctions be reversed in their entirety for this reason.

A court must sanction an attorney under Rule 45(c)(1) only if the attorney did not take reasonable steps to avoid imposing undue burden or expense on a person subject to a subpoena the attorney has issued. Contrary to the District Court's assertion, an attorney's issuance of an

earnings and a reasonable attorney's fee" against one issuing a vexatiously overbroad *subpoena*" [emphasis added]).

invalid subpoena does not give rise to *per se* liability in this context. In the complete absence of any meaningful burden imposed by the subpoena's issuance, it cannot be unduly burdensome for the purposes of 45(c)(1), and any steps taken by counsel to prevent undue burden must necessarily have been sufficient and reasonable.

In this case, the District Court's Discovery Order #1, which Appellant mistook for an order granting expedited discovery, was attached to every subpoena Appellant issued. Significantly, the order required that all relevant service providers listed in Plaintiff's motion for expedited discovery preserve information sufficient to identify the John Does. This identifying information was the full extent of the information sought in Appellant's narrowly-tailored subpoenas. In order to comply with the District Court's preservation order, service providers necessarily looked up and confirmed all of the information Plaintiff sought and Appellant subpoenaed. The burden and expense incurred in compiling this information was therefore effectuated by the District Court, and not Appellant. The purported filing of subpoenas in error, although contemporaneous, did not result in *any* additional burden on service providers. Appellant acknowledges that the

revelation of this information to Plaintiff was premature as a result of Appellant's filing, but contends that any possible error, did not *burden* any person *subject to* a subpoena, and therefore did not trigger Rule 45(c)(1).

In the alternative, Appellant contends that Rule 45(c)(1) is a two-step analysis, and that the District Court was required to make a finding that Appellant did not take reasonable steps to avoid imposing an undue burden, or that the steps taken were insufficient. The District Court made no such finding. Moreover, the record shows that Appellant took various steps to avoid imposing an undue burden. Therefore, even if Appellant's subpoenas were unduly burdensome, the District Court was only required to *quash* the subpoenas under Rule 45(c)(3)(A)(iv). A sanction, by contrast, was not required because "reasonable steps," taken pursuant to Rule 45(c)(1), mitigated Appellant's error.

Rule 45(c)(1) requires sanctions, which may include lost earnings and reasonable attorney's fees. However, the Rules do not specify *whose* lost earnings and attorney's fees the sanction references. Appellant contends that a plain reading of the Rule would award lost

earnings and attorney's fees only to the person *subject to* the unduly burdensome subpoena, and not the *movant* for sanctions, in the unusual event that those two are not the same person. A contrary reading would allow a party to move for sanctions for reasons unrelated to the statute's policy, or for conduct that did not individually affect the party, only to be reimbursed out of the pockets of an *actual* subpoena recipient. Here, the District Court erroneously awarded attorney's fees to the John Does for the work the EFF attorneys preformed in moving for sanctions. Instead, the *service providers* who were purportedly burdened are the only appropriate recipients of lost earnings or fees. Accordingly, if this Court determines that the EFF was authorized to move for sanctions under Rule 45, and that Appellant's subpoenas were unduly burdensome in fact or *per se*, it should nevertheless remand to award attorney's fees and/or lost earnings to the correct recipients. The correct metric for the sanction in this case should assess the unnecessary hours spent by service providers in retrieving the data, multiplied by the hourly rates of service provider employees so tasked, plus any attorney's fees the service providers incurred in moving to quash subpoenas, or in moving for sanctions. None of the service

providers that were subpoenaed moved to quash or moved for sanctions, so the compensatory component of any sanction imposed under Rule 45 should be limited to the service providers' respective costs of compliance.

Neither of the statutory bases for sanctions invoked on motion by the EFF requires sanctions for Appellant's error. Appellees will contend that the District Court could have sanctioned Appellant *sua sponte* pursuant to its inherent authority. However, because the District Court did not invoke its inherent power, Rule 11, or any other alternative theory of liability, those theories are now unavailing. The District Court's inherent power to sanction may only be invoked by the District Court, and cannot serve as a fail-safe for movants when sanctions are not required by statute. In the absence of an invocation of the District Court's inherent authority to sanction, Appellant's conduct cannot be sanctioned *ex post facto*.

In the alternative, Appellant contends that his error did not rise to the level of bad faith. A sanction under the District Court's inherent powers requires a finding of bad faith. Appellant contends that the District Court abused its discretion when it found bad faith, and that

even if the District Court's inherent powers are availing now, the *mens rea* of an inherent powers sanction is therefore unmet.

With no valid basis for the imposition of sanctions against Appellant in this matter, Appellant respectfully requests that this Court reverse the District Court's Order for sanctions in its entirety. Additionally, or in the alternative, this Court should hold that the lost earnings and reasonable attorney's fees includible in a sanction under Rule 45(c)(1) of the Federal Rules of Civil Procedure may not be awarded to any person who was not the subject of an unduly burdensome subpoena, and Appellant requests that the Court remand to that effect. In the alternative, Appellant requests that this Court remand and require an award of attorney's fees that is disbursed to the John Does, and that is based on an accurate lodestar calculation. Finally, if the Court determines that Appellant could have been sanctioned under the District Court's inherent powers, and that this authority presents a valid alternative theory of liability now even though it was not invoked below, the Court should remand to limit the sanctions imposed, because a sanction imposed under a court's inherent powers may only be for attorney's fees.

ARGUMENT

A. Standard of Review

This court reviews the imposition of sanctions for abuse of discretion.[29]

B. Rule 26 of The Federal Rules of Civil Procedure Does Not Require Sanctions for Subpoenas Issued in Error

Rule 26 does not apply to subpoena abuses and thus the District Court must be deemed to have issued its sanction order solely under Rule 45. Rule 26(g) dictates that "every disclosure…discovery request, response, or objection must be signed by at least one attorney of record…By signing, an attorney…certifies that to the best of [his] knowledge, information, and belief formed after a reasonable inquiry…a discovery request, response, or objection…is…consistent with these rules and warranted by existing law…" Subpoenas are completely absent from the list of items that an attorney must sign to this effect, however, because Rule 45 is designed to specifically address subpoenas

[29] Bruno v. Starr, 247 Fed. Appx. 509, 510 (5th Cir. 2007) ("This court reviews the imposition of sanctions for an abuse of discretion…A court abuses its discretion to impose sanctions when a ruling is based on an erroneous view of the law or a clearly erroneous assessment of the evidence"); *See also* Maguire Oil Co. v. City of Houston, 143 F.3d 205, 208 (5th Cir. 1998).

and subpoena abuse. As the Notes to Rule 45 explain, "Paragraph (c)(1) [of Rule 45] gives specific application to the principle stated in Rule 26(g) and specifies liability for earnings lost by a non-party witness as a result of a misuse of the *subpoena* [emphasis added]."[30]

This court has recognized the application of Rule 45 rather than Rule 26 to subpoena abuses: "The sanctions provisions of Rules 26 and 37 authorize expenses against a party *resisting* discovery by unreasonably necessitating a motion to compel or by unreasonably moving for a protective order. There is neither warrant nor need to strain the express language of these rules given the ready applicability of another rule. Rule 45(c)(1) specifically provides for sanctions, including "lost earnings and a reasonable attorney's fee" against one issuing a vexatiously overbroad *subpoena*." [emphasis added].[31] Appellant asks this Court to reaffirm this holding here.

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[30] Rule 45 advisory committee's note – 1991 amendment; *See also* Tennessee Valley Authority v. Hill, 437 U.S. 153, 188, 57 L. Ed. 2d 117, 98 S. Ct. 2279 (1978) (Rev'd on other grounds); National Railroad Passenger Corp. v. National Association of Railroad Passengers, 414 U.S. 453, 458, 38 L. Ed. 2d 646, 94 S. Ct. 690 (1974) (Under the canon of *expresio unius*, the absence of an item from an express list implies its exclusion).
[31] Tiberi v. Cigna Ins. Co., 40 F.3d 110, 112 (5th Cir. 1994).

The District Court inappropriately uses the terms "subpoena" and "discovery request" interchangeably in its Order for Sanctions.[32] This creates the perception that Appellant's conduct falls within the ambit of Rule 26(g). However, a subpoena is not a discovery request.[33] A discovery request, by definition, is served on a party; subpoenas, by contrast, comprehend service on non-parties.[34] It is fundamental that words in a statute are to be given their plain meaning.[35] The mere inclusion of "discovery request" in Rule 26(g), therefore, does not mean that subpoenas too may be sanctioned thereunder.

The inapplicability of 26(g) to subpoena abuses is further counseled by conflicting provisions in Rule 26 and Rule 45. If a

[32] R:306 ("Rule 26…oblige[d] [Stone] to stop and think about the legitimacy of [his] *discovery request*…." [emphasis added] [internal citation omitted]); R:306 ("[A]ny *subpoena* issued prior to the Court's ruling on the Discovery Motion would constitute a *discovery request* inconsistent with [Rule 26(d)]…" [emphasis added]).

[33] *See* Black's Law Dictionary 616 (3d Pocket Ed. 2006) ("Request for production…In pretrial discovery, a party's written request that another *party* provide specified documents or other tangible things for inspection and copying" [emphasis added]); *Id* at 684 ("Subpoena…A writ or order commanding a person to appear before a court or other tribunal, subject to a penalty for failing to comply").

[34] *Compare* Rule 34(a) ("A party may serve on any other *party* a request within the scope of *Rule 26(b)*...to produce…any designated documents or electronically stored information…" [emphasis added]) *with* Rule 34(c) ("As provided in *Rule 45*, a *nonparty* may be compelled to produce documents and tangible things or to permit an inspection" [emphasis added]); *See also* United States v. Flores-Gallo, 625 F.3d 819, 823 (5th Cir. 2010) (It is a "cardinal principal of statutory construction that a statute ought, on the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void or insignificant") citing TRW Inc. v. Andrews, 534 U.S. 19, 31, 122 S. Ct. 441, 449, 151 L. Ed. 2d 339 (2001).

[35] Caminetti v. United States, 242 U.S. 470, 485, 37 S. Ct. 192, 194, 61 L. Ed. 442, 453 (1917) ("Where the language is plain and admits of no more than one meaning the duty of interpretation does not arise and the rules which are to aid doubtful meanings need no discussion").

subpoena abuse could be sanctioned under *both* Rule 26(g) and Rule 45(c)(1), Rule 45(c)(1) would be subsumed, and rendered meaningless, contrary to longstanding policy.[36] When two statutes sanction the exact same conduct, but a violation of the first is easier to prove *and* yields a broader award, the second will become superfluous as a result. Both Rules 26(g) and 45(c)(1) allow for sanctions, including attorney's fees, either on motion or *sua sponte*, and both require attorneys to avoid imposing undue burdens. However, if Rule 26(g) applied to subpoena abuses, attorneys could *additionally* be sanctioned for a subpoena interposed for any improper purpose[37] or for subpoenas that were merely "unreasonable."[38] Moreover, if Rule 26(g) applied to subpoenas, sanctions could include "reasonable expenses,"[39] which may be broader than "lost earnings."[40] Finally, mitigation would require "substantial justification,"[41] and not merely "reasonable steps."[42] The District Court's invocation of a "substantial justification" standard in

[36] Dastar Corp v. Twentieth Century Fox Film Corp, 539 U.S. 23, 35, 123 S. Ct. 2041, 2048, 156 L. Ed. 2d 18, 44 (2003) ("a statutory interpretation that renders another statute superfluous is of course to be avoided").
[37] Rule 26(g)(1)(B)(ii).
[38] Rule 26(g)(1)(B)(iii).
[39] Rule 26(g)(3).
[40] Rule 45(c)(1).
[41] Rule 26(g)(3).
[42] Rule 45(c)(1).

sanctioning Appellant under *both* Rule 26 and Rule 45[43] makes this last distinction especially significant.

For these reasons, an attorney who moved to sanction for an invalid subpoena under Rule 45 when Rule 26 was available would at the very least violate the standards of zealous advocacy, if not rules on competent representation. In this way, Rule 26(g) is not merely an alternative theory of liability in the context of subpoena abuses. Rather, it is an end run around the burden of proof and scope of awards under Rule 45(c)(1). Here, the District Court relied upon Rule 26 and Rule 45 in issuing its subpoena order. The District Court's reliance on Rule 26 was inappropriate, and the District Court therefore must be deemed to have issued its sanction order solely under Rule 45.

C. Rule 45 Does Not Require Sanctions in this Case

i. An attorney whose representation of a party has expressly terminated has no authority to move for sanctions on that party's behalf

[43] *See* R:311 ("Stone provides no reasonable – let alone a *substantial* – justification for his actions" [emphasis added]).

The EFF staff attorneys appointed to represent defendants ad litem in this case purported to file a Motion for Sanctions on behalf of the John Does on February 11, 2011.[44] In fact, the EFF's ad litem representation of Defendants had unequivocally terminated nearly two weeks prior. As the District Court acknowledges in its sanction order, "the Court appointed the ad litems to represent the Does' interests only through resolution of the Discovery Order."[45] Plaintiff's voluntary dismissal of this case on January 28, 2011[46] conclusively disposed of the Discovery Motion, marking the end of the EFF's role in this case. After the EFF's authority to act on behalf of the John Does terminated, the EFF could not move independently, because generally, a non-party to a case does not have standing to move for sanctions.[47]

Although the EFF's motion for sanctions[48] was *related* to the Discovery Motion, it did not affect the *disposition* of the Discovery

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[44] R:222.
[45] R:311; *See also* R:62 ("This appointment will terminate upon disposition of the Discovery Motion").
[46] R:220.
[47] 5A Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 1337.1 (3d ed. 2004) ("As a general rule, only parties to an action and certain other participants in the litigation have standing to move for sanctions…"); 2 James Wm. Moore et al., *Moore's Federal Practice* § 55.70 (3d ed. 2011) ("Ordinarily, a non-party may not move for sanctions"); Rule 11 advisory committee's note - 1983 amendment ("A *party* seeking sanctions should give notice to the court and the offending party…")
[48] R:222.

Motion in any way. This non-dispositive motion for sanctions was beyond the express, limited scope of ad litems' representation. The EFF actively limits its own role in BitTorrent litigation, and has recently defied an order to confer on discovery and declined appointment as *general* ad litem in *another* infringement case.[49] If it is inappropriate, by the EFF's own estimation, for the EFF to take on general ad litem responsibilities such as a Rule 26(f) conference, then the EFF was likewise not the proper ad litem for the purposes of a motion for sanctions in this case. Moreover, it is important to note that because the EFF was not a party this case, the EFF lacked standing to move for sanctions independently once its ad litem appointment terminated. Accordingly, the District Court's sanction order should be reversed in its entirety because the EFF lacked authority to move for sanctions on the John Does' behalf, or alternatively, standing to move for sanctions independently.

[49] *See* Reply of Movants/Proposed Ad Litem Counsel Matthew Zimmerman, Michael Findlay and Eric Findlay to Plaintiff's Response to Order Regarding Ad Litem Appointment, FUNimation Entertainment v. Does 1-1,427 CA. No. 2:11-cv-00269 (N.D. Tex. Dec. 15, 2011)(Folsom, D.) ("[The EFF] will not… empower Plaintiff to proceed with discovery, by participating in Rule 26(f) conference…[The EFF] ask that they be appointed counsel ad litem *solely* for the purpose of opposing Plaintiff's Motion for Leave to Take Expedited Discovery…and that their representation terminate upon disposition of Plaintiff's motion" [emphasis in original]).

ii. Rule 45 of the Federal Rules of Civil Procedure Does Not Require Sanctions When No Person Subject to a Subpoena Has Been Burdened by that Subpoena

1. Rule 45(c)(1) only comprehends burdens imposed on persons subject to a subpoena

Rule 45(c)(1) requires that an attorney be sanctioned only if the attorney did not take reasonable steps to avoid imposing an undue burden or expense on a person subject to a subpoena the attorney issues. The John Does were not *subject to* any non-party subpoena Appellant served. Therefore, in determining whether Appellant's subpoenas were unduly burdensome for the limited purposes of Rule 45(c)(1), it was erroneous for the District Court to have considered any burden imposed on the John Does, or to have implied that these extraneous burdens militate in favor of a Rule 45 sanction.[50] The only burden that may appropriately be considered for the purposes of a Rule 45 sanction is a burden imposed on the service providers – the persons subject to Appellant's subpoenas.

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[50] R:306 ("By serving invalid subpoenas, Stone necessarily imposed an *undue burden* on each ISP and the putative *Does*" [emphasis added]); R:308 ("[T]he subpoenas imposed an *undue burden* on their targets…the subpoenas' falsity transformed the access of the *Does*' information…into private snooping" [emphasis added]); R:310 ("The subpoenas imposed costs and *burdens* on the ISPs and the *Does* that they never would have incurred if the court had denied the Discovery Motion" [emphasis added]).

2. The service providers were not burdened by appellant's subpoenas

Appellant contends that the District Court also abused its discretion when it concluded that Appellant's subpoenas imposed an undue burden or expense on service providers, thereby triggering the mandatory operation of Rule 45(c)(1). Appellant does not merely dispute the *extent* to which service providers were burdened. Appellant disputes the existence of any burden, whatsoever. The District Court's Discovery Order #1 affirmatively required service providers to preserve the IP records Plaintiff sought.[51] This preservation could not be accomplished in the abstract. In order to comply with Discovery Order #1, service providers were *necessarily* required to identify the account holders of record for the specified IP addresses on the dates and times specified by Plaintiff.[52] This identification was the *full extent* of the information Plaintiff sought.[53] Appellant served Discovery Order #1

[51] R:40 ("The Court orders the internet service providers…to preserve existing activity records for each Internet Protocol address…pending resolution of the Discovery Motion").
[52] R:40.
[53] *Compare* R:96 ("If you are receiving this notice, that means the Plaintiff has asked your Internet Service Provider to disclose your identifying information to Plaintiff, including your name, current (and permanent) addresses, and your email address and Media Access Control number") *with* R:40 ("The ISPs are required to retain activity records only for the specific date and time logged for each IP address, and then only to the extent necessary to identify each Doe

contemporaneously with every subpoena.[54] The service providers were therefore *commanded by the court* to do everything the subpoenas required. The simple act of mailing this information to Plaintiff was *de minimis*, at least from the service providers' perspective, and cannot, by itself, constitute an undue burden or expense for the purposes of Rule 45(c)(1).

3. This court should hold that not all subpoenas issued in error are unduly burdensome per se

Some persuasive authority holds that if a subpoena should not have been issued, the mere act of reading that subpoena is unduly burdensome for the purposes of Rule 45(c)(1).[55] That is, an invalid subpoena is unduly burdensome *per se*. The District Court adheres to this reading.[56] The issue is one of first impression for this Court.

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defendant's name, address, telephone number, e-mail address, and Media Access Control Address").

[54] *See* R:40 ("Plaintiff Mick Haig is directed to serve a copy of this Order on each affected ISP").

[55] *See* Polo Bldg Group, Inc. v. Rakita, 253 B.R. 540, 36 Bankr. Ct. Dec. 232, 2000 Cal. Daily Op. Service 8408 (9th Cir. 2000) ("When a subpoena should not have been issued, literally everything done in response to it constitutes 'undue buren or expense' within the meaning of Civil Rule 45(c)(1)"); *see also* Cincinnati Ins. Co. v. Cochran, 198 Fed. Appx. 831, 832 (11th Cir. 2006); Builders Ass'n of Greater Chicago v. City of Chicago, 2002 WL 1008455, 4 (N.D. Ill. May 13, 2002); Molefi v. Oppenheimer Trust, 2007 U.S. Dist. LEXIS 10554, (E.D. N.Y. February 15, 2007).

[56] R:306 ("By serving invalid subpoenas, Stone necessarily imposed an undue burden or expense on each ISP and the putative Does").

Appellant urges this Court to adopt a holding that aligns with the text of the Rule and the reality of its application.

a. A definition of undue burden may be found in the text of Rule 45

In defining 'undue burden or expense' for the purposes of Rule 45(c)(1), it is prudent to consult the text of Rule 45 first, before looking elsewhere. Although the definition of 'undue burden' may be broader for the purposes of a *Chambers* sanction (*infra*), it is appropriate to limit the meaning of the term for the purposes of a Rule 45(c)(1) sanction when the term has a basis in the text of Rule 45. Rule 45(c)(3)(A) details four situations where a court is required to quash a subpoena and where, impliedly, a subpoena has imposed an undue burden.

b. Subpoenas that are not facially unduly burdensome require a per quod analysis

Provisions (i), (ii) and (iii) of Rule 45(c)(3)(A) describe subpoenas that are *facially* burdensome. These first three provisions are objective, and may fairly be characterized as *per se* rules. For instance, if an

attorney serves a subpoena requiring any person to travel even one mile further than one hundred from his residence, the attorney knows that the subpoena is unduly burdensome as a matter of law and that it may result in sanctions.[57] By contrast, if a court finds that a subpoena was unduly burdensome generally, pursuant to the *fourth* provision, it does not follow that the subpoena was unduly burdensome *per se*. That initial finding of burden, in the absence of an objective trigger or predicate such as a 100 mile radius, requires a *per quod* analysis.

Here, the subpoenas at issue allowed reasonable time to comply, did not require any person to travel more than one hundred miles, and did not require the disclosure of privileged or protected matter. The subpoenas, therefore, could only be found invalid under Rule 45(c)(3)(A)(iv), the catch-all provision. As opposed to clauses (i), (ii) and (iii), which are self-explanatory, clause (iv) should require *specification* of the burden a subpoena has imposed before sanctions are required. This is because a sanction imposed glibly for an 'unduly burdensome subpoena' does not provide any guidance for circumspect attorneys. By contrast, attorneys can benefit from the knowledge that a subpoena

[57] Rule 45(c)(3)(A)(ii).

issued a certain number of days before trial is deemed unduly burdensome under clause (i), even if the sanctioning court in that instance does not otherwise explain itself. Because a violation of Rule 45(c)(3)(A)(iv) is not self-evident, this policy is best served by a requirement that courts, for the benefit of attorneys, explain why a subpoena is burdensome when it is not facially unduly burdensome.

c. If subpoenas that are not facially unduly burdensome may be burdensome per se, a district court's discretion is widened without corresponding mens rea protections

The *per quod* nature of provision (iv) is also counseled by the *mens rea* requirements of statutory and 'inherent powers' sanctions, respectively. While an attorney may be sanctioned under Rule 45(c)(1) for conduct that is merely objectively unreasonable, a finding of bad faith is generally required before a court will sanction an attorney under its inherent powers.[58] If a court wishes to sanction an attorney for subpoena abuses, but the record does not support a finding of bad faith, the court may nevertheless sanction the attorney, as long as the record supports, and the court finds that a subpoena was unduly

[58] Chambers v. Nasco, Inc., 501 U.S. 32, 49, 111 S. Ct. 2123, 2135, 115 L. Ed. 2d 27, 48 (1991) ("[I]nvocation of the inherent power would require a finding of bad faith").

burdensome. Alternatively, if the record does not support a finding of undue burden, but does support a finding of bad faith, the court may impose an inherent powers sanction on that basis. A *per se* rule in this context would allow a court to sanction a subpoena that was issued in good faith, when the record did not support a finding of undue burden or expense, based solely on a conclusory recitation of undue burden. The sanction would therefore be *discretionary*, like an inherent powers sanction, but would not offer the corresponding protection of a heightened *mens rea* requirement. The fact that bad faith was found in the present case does not, by itself, enervate this argument. For the purposes of Rule 45, at least, an across-the-board *per se* rule is unworkable.

d. This court should hold that subpoenas are not unduly burdensome per se unless they violate clauses (i), (ii) or (iii) of Rule 45(c)(1)(A)

Appellant urges this Court to hold that when a subpoena is not facially unduly burdensome, as by a violation of clauses (i), (ii) or (iii) of Rule 45(c)(1)(A), it cannot be unduly burdensome *per se,* and that a court is only required to sanction an attorney pursuant to Rule 45(c)(1)

if the record supports a finding of undue burden. If the Court so holds, the District Court's recitation of undue burden in this case will have been insufficient to trigger Rule 45(c)(1). The District Court did not - and indeed, could not - explain how *service providers* were burdened by Appellant's conduct beyond what the Court had already required in Discovery Order #1. The District Court, therefore, was not required to sanction Appellant pursuant to Rule 45(c)(1).

4. Appellant disputes the extent of any secondary burden on the John Does

Appellant acknowledges that his actions may have nominally burdened the John Does, but emphasizes that this burden does not fall within the ambit of Rule 45(c)(1). In the alternative, or for the purposes of a *Chambers* sanction (*infra*), Appellant disputes the extent of this secondary burden. The District Court characterizes the service providers identifications as "information that [Appellant] had no right to receive," and contends that "[t]he subpoenas imposed costs and burdens on the service providers and the Does that they would never

have incurred if the Court had denied the Discovery Motion."[59] This misunderstands the effect of a denial of expedited discovery. Plaintiff - and by proxy, Appellant - did have the right to this information *eventually*. When, where and how Plaintiff could obtain this information is all that was in dispute. For instance, if the District Court had found misjoinder at the EFF's urging, *severance*, and not dismissal, would have been the necessary result.[60] Alternatively, if the District Court found that it lacked personal jurisdiction, dismissal with prejudice would have been improper, as that finding would not constitute an adjudication on the merits of Plaintiff's suit.[61]

At most, the EFF could have forced Plaintiff to file 670 separate lawsuits, in various jurisdictions across the country. This would *delay* Plaintiff's access to the John Does' identities, but would not *foreclose* Plaintiff's right to that information. The only argument the EFF has *ever* raised in this context that could affirmatively foreclose access to this information is that a defendant's choice of which movie to pirate constitutes speech protectable under the First Amendment, which in

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[59] R:310.
[60] Rule 21 ("Misjoinder of parties is not a ground for dismissing an action").
[61] *See* Rule 41 ("Unless the dismissal states otherwise, a dismissal under this subdivision… *except one for lack of jurisdiction*…operates as an adjudication on the merits").

turn, affords an anonymity interest. The EFF raised that argument in this case. In its Opposition to Plaintiff's Discovery Motion, the EFF cited to *Sony Music Entm't, Inc. v. Does 1-40* for the proposition that "[t]he use of P2P file copying networks to download, distribute or make sound recordings available qualifies as speech entitled to First Amendment protection."[62] The EFF deceptively failed to mention that in the *exact same case*, the court reaffirmed what the Supreme Court has already conclusively established: "The First Amendment… does not protect copyright infringement."[63] Indeed, text *immediately following* the proposition quoted by the EFF belies the first quote's implication: "[P]rotection [of that speech interest], however, is limited, and is subject to other considerations….I conclude that the First Amendment does not bar disclosure of the Doe defendants' identities." Thus, the only argument that could have operated to permanently foreclose Plaintiff's right to discover the Does' identities is frivolous.

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[62] Sony Music Entm't, Inc. v. Does 1-40, 326 F. Supp. 2d 556, 564 (S.D.N.Y. 2004).

[63] *Id* at 563; *See also* Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 555-56, 569, 85 L. Ed. 2d 588, 105 S. Ct. 2218 (1985); Universal City Studios, Inc. v. Reimerdes, 82 F. Supp. 2d 211, 220 (S.D.N.Y. 2000) (the "Supreme Court … has made it unmistakably clear that the First Amendment does not shield copyright infringement"); In re Capital Cities/ABC, Inc., 918 F.2d 140, 143 (11th Cir. 1990).

Accordingly, the burden imposed on John Does was not the discovery of their identities, which, with ample time, resources and determination, was an inevitability. Rather, the burden was the *premature* discovery of their identities. Appellant's error, at most, deprived the John Does of an extra month or two of privacy and anonymity. That privacy interest, in turn, is *de minimis* if a John Doe infringed in fact.[64]

In the event that any John Doe was merely a material witness, this Court should hold that any privacy interest the Doe possesses is substantially offset by his negligence. If an account holder was identified by his IP address, but the account holder himself did not infringe, it means that a third party accessed the internet through a wireless router that the account holder was responsible for, but failed to secure with a password. The EFF confirms this in its opposition to the Discovery Motion: "In counsel's experience, among the defendants often swept into mass copyright infringement suits such as this one are individuals who did not themselves download the song or movie in question, but simply made the mistake of maintaining an unsecured

[64] *See generally* Sony Music Entm't, Inc. v. Does 1-40, 326 F. Supp. 2d 556.

wireless network that allowed neighbors to obtain Internet access." Unsecured Wi-Fi can arguably be used to launder far more nefarious activity than copyright infringement.[65] In 2012, any internet account holder who fails to secure his Wi-Fi should reasonably know and expect that his privacy might be forfeit in the policing of mischief he has enabled. Accordingly, any burden imposed by the premature discovery of a John Doe's identity is insubstantial, even if that John Doe did not personally infringe Plaintiff's copyrights. If it is not an insubstantial burden, then the number of persons so affected is at least insubstantial, as this Court has observed: "though it was possible that the transmissions originated outside of the residence to which the IP address was assigned, it remained *likely* that the source of the transmissions was inside that residence" [emphasis added].[66]

Appellant acknowledges that service providers routinely destroy IP records, and that forestalling identification might, in some contexts, provide a Doe with the windfall of permanent anonymity. However,

[65] *See* United States v. Perez, 484 F.3d 735, 740 (5th Cir. 2007) (A defendant convicted of possession of child pornography argued that if he had "used an unsecure wireless connection, then neighbors would have been able to easily use [his] internet access to make the transmissions").
[66] *Id*; *See also* United States v. Grant, 218 F.3d 72, 73 (1st Cir. 2000) ("[E]ven discounting for the possibility that an individual other than [defendant] may have been using his account, there was a *fair probability* that [defendant] was the user and that evidence of the user's illegal activities would be found in [defendant's] home" [emphasis in original]).

once the District Court issued Discovery Order #1, that possibility was foreclosed in this matter, and in any event, the John Does can hardly be said to have been unduly burdened by a lost opportunity for spoliation. The District Court is correct in stating that the service providers and Does "would never have incurred [burdens] if the Court had denied the Discovery Motion,"[67] but only in the sense that such a denial would have worked a complete failure of justice for Plaintiff once the service providers disposed of the IP records. No order on a motion for expedited discovery warranted by existing law, short of a dismissal sanction, could have permanently foreclosed Plaintiff's ability to obtain the John Does' information. Appellant's actions merely expedited otherwise inevitable discovery of John Does' identities, and the John Does incurred no costs as a result of Appellant's error because they were not subject to the offending subpoenas.

[67] R:310.

<u>5. Sanctions under Rule 45 are inappropriate because the District Court did not find that Appellant did not take reasonable steps to prevent imposing an undue burden</u>

a. Rule 45(c)(1) involves a two-step analysis, and requires a finding that no reasonable steps were taken to prevent the imposition of an undue burden

Finally, Appellant contends that the District Court abused its discretion when it concluded that sanctions were required under Rule 45(c), because it did not give any consideration to whether reasonable steps were taken to prevent an undue burden. Rule 45's 'undue burden or expense' provision does not exist in a vacuum. The District Court concluded that because Appellant's subpoenas were invalid, they were burdensome *per se*. However, even if this were true, it does not, by itself, compel sanctions under Rule 45(c)(1), because that Rule involves a *two*-step analysis. Sanctions are only required under Rule 45(c)(1) if a subpoena imposed an undue burden *and* an attorney did not take reasonable steps to avoid imposing that burden. This is not mere semantics; "reasonable steps" represent the difference between a subpoena that need only be *quashed* under Rule 45(c)(3), and a subpoena that must be *sanctioned* under Rule 45(c)(1). Even a

subpoena that is burdensome *per se* will not trigger Rule 45(c)(1) absent any analysis and determination - or even a conclusory finding - that Appellant did not take reasonable steps to avoid the imposition of a burden.

b. Reasonable steps were in fact taken by Appellant

In fact, Appellant did take reasonable steps to prevent the imposition of an undue burden on service providers or John Does. Appellant tailored the subpoenas to be extremely narrow. The subpoenas did not require any more of service providers than was absolutely necessary to identify defendants. Moreover, Appellant's conduct was reasonable in light of the vagueness of Discovery Order #2. The texts of the order and the docket entry misleadingly purport to address Plaintiff's Discovery Motion, and do not expressly deny that motion.

Moreover, it is anomalous for service providers to disclose the information requested here without a court order.[68] By responding to

[68] *See, e.g.,* Verizon Online – Civil Subpoena Policy, available at http://www.verizon.net/policies/vzcom/civil_subpoena_popup.asp (last visited Oct. 23, 2011)

Appellant's subpoenas in spite of this policy, the service providers tacitly corroborated Appellant's misunderstanding of Discovery Order # 1 - which came attached to Appellant's subpoenas - as an order granting discovery. Alternatively, if Discovery Order #1 is as plain as the District Court contends, the service providers, who received and presumably read the order, complied in spite of knowledge of the subpoenas' invalidity. By voluntarily complying with subpoenas they knew to be invalid, the service providers would have waived any right to be "reasonable compensated" under Rule 45(c)(3)(C)(ii)[69] in lieu of quashing, and any argument for a burden on service providers would therefore be negated. If the service providers complied because the order was vague, then Appellant took reasonable steps to avoid imposing an undue burden. If the service providers complied in spite of an order that plainly did not command compliance, then the service providers voluntarily shouldered the burden, and it was not undue. Although defiance of a subpoena completed by an attorney is defiance of

("Verizon…will not release account information or information sufficient to identify a subscriber except…[if] required by court order").

[69] North American Rescue Products, Inc. v. Bound Tree Medical, LLC, 2009 U.S. Dist. Lexis 118316, 38-39 (S.D. Ohio 2009) ("because [these ISPs] did not wait for a court order prior to beginning the production process…[they do] not have the right to… reimbursement under Rule 45").

a court order, and is punishable by contempt sanctions,[70] the subpoenaed service providers were expressly given thirty days[71] to raise any objections to the subpoena. Fear of a contempt sanction, therefore, cannot explain the service providers' voluntary compliance.

Appellant's subpoenas were not burdensome *per se*, did not burden service providers in fact, and only nominally burdened the John Does, whose burden is inapposite to Rule 45. However, even if none of this was true, sanctions would *still* be inappropriate under Rule 45, because Appellant in fact took reasonable steps to avoid any burden imposed on the service providers subject to the subpoenas, and because the District Court did not find otherwise, as required by Rule 45(c)(1).

D. If the Person Subject to a Subpoena and the Movant for Sanctions Regarding that Subpoena Are Not the Same Person, the Person Subject to the Subpoena, and Not the Movant, is the Proper Recipient of Lost Earnings and Attorney's Fees Pursuant to Rule 45(C)(1)

[70] Rule 45(e).
[71] R:97.

If this Court finds that Appellant may not be sanctioned under Rule 26 for subpoena abuses, but that sanctions were nevertheless appropriate under Rule 45(c)(1), this Court should hold that an award of attorney's fees pursuant to Rule 45(c)(1) must be directed to the person(s) *subject to* an unduly burdensome subpoena, and not the movant for sanctions, in the event those two are not the same person. The Court should, moreover, remand to that effect in this case. Rule 45(c)(1) provides for mandatory sanctions if an "attorney responsible for issuing and serving a subpoena [does not] take reasonable steps to avoid imposing undue burden or expense on a person subject to the subpoena." Those sanctions may include lost earnings and reasonable attorney's fees. However Rule 45 does not specify *whose* lost earnings and attorney's fees are to be reimbursed by the sanction.

The fact pattern here presented - with unknown, non-subpoenaed parties officiously moving for subpoena abuse sanctions on behalf of known, subpoenaed non-parties - is unusual. Accordingly, it presents an issue of first impression for this Court. Appellant contends that in the event that a movant for subpoena abuse sanctions and the person subject to the subpoena complained of are not the same person, the

person *subject to* the subpoena, and not the movant, should be compensated. A plain reading of the statute compels this conclusion. In the context of a sanction for imposing "undue burden or expense" on a person subject to a subpoena, any award of fees should contemplate fees incurred as a result of the subpoena abuse, and as a part of that undue burden or expense.

The EFF moved on behalf of the John Does to vindicate a secondary burden allegedly imposed by Appellant's subpoenas. Specifically, Appellant's error resulted in a premature identification of John Does. Whether, and to what extent this burden existed is irrelevant to any analysis of Rule 45(c)(1), which only requires sanctions for burdens imposed on persons "subject to a subpoena." No John Doe was ever subject to any subpoena in this matter. Therefore, any burden imposed on the John Does by the subpoenas can neither require nor militate in favor of the imposition of sanctions under Rule 45. A contrary reading of Rule 45 would allow a party to move for sanctions for reasons unrelated to the statute's policy, or for conduct that did not individually affect that party, only to be reimbursed out of the pockets of the person *actually harmed* by a subpoena served in error.

Here, for instance, the EFF voluntarily moved for sanctions on behalf of clients it has never met, thereby incurring work hours the clients never agreed to. The motion requested sanctions and attorney's fees on the grounds that another group of persons whom the EFF does not represent had been burdened by Appellant's subpoenas, in violation of a statute that does not protect the EFF's *actual* clients. The District Court granted this motion, awarding attorney's fees to the EFF. Presumably, if the fees are upheld on appeal, no John Doe will see a single cent from the award. Accordingly, even if Rule 45 comprehends sanctions for a secondary burden imposed on the John Does, an award of attorney's fees to the EFF will not compensate the Does for that burden. More importantly, no attorney's fees were awarded to any of the service providers, who were actually subject to the offending subpoenas, and whose resulting burdens Rule 45 actually comprehends. By awarding attorneys' fees to the EFF pursuant to a Rule 45 sanction, the District Court has afforded a windfall to the EFF, without actually compensating any burdened party.

i. A remand is at least necessary to award attorney's fees to the correct recipient

If this Court holds that Rule 26(g) does not require sanctions for subpoena abuse, and that the person subject to a subpoena, as opposed to the movant for sanctions, is the appropriate recipient of lost earnings and attorney's fees pursuant to Rule 45(c)(1), a remand is necessary based on those findings alone, to reverse the award of attorney's fees to movants, and to determine an appropriate award for the service providers subject to Appellant's subpoenas. Because no service provider objected to Appellant's subpoena, moved to quash or moved for sanctions, no legal expenses were incurred by the service providers. Accordingly, an award of fees, when disbursed to the correct persons on remand, should be *de minimis*. However, if the Court determines that the subpoenas at issue were unduly burdensome for the purposes of Rule 45(c)(1), an award of "lost earnings" might not be *de minimis*. Lost earnings should be calculated on remand by assessing any unnecessary hours spent by the service providers in retrieving the data, multiplied by the hourly rates of service provider employees so tasked.

ii. If attorney's fees were awarded to the correct persons, the fees should be reduced and the EFF should disburse these fees to its clients

In the alternative, if this Court determines that ad litems from the EFF may be awarded attorney's fees pursuant to a Rule 45 sanction for subpoena abuse on behalf of clients whom they *used to* represent, but whom they have never met, and whom they cannot themselves identify, despite the fact that none of those clients has been subject to a subpoena in this matter, Appellant respectfully requests that the award be reduced to reflect an accurate lodestar, and that the award be disbursed among the John Does. As detailed in Appellant's Response to Appellee's Motion for Attorney's Fees, the EFF artificially inflated its fees by including hours spent before or outside the scope of bringing a motion for sanctions, by comparing its fee rates to those in the San Francisco legal community, and by including patently non-legal work hours in the lodestar calculation.[72]

Moreover, it is a party, and not that party's attorney, that is entitled to attorney's fees.[73] Information sufficient to identify the John Does has been preserved by service providers in this matter, and the

[72] R:355-362.
[73] *See e.g.*, Venegas v. Mitchell, 495 U.S. 82, 87 (1990); Mathur v. Board of Trs. Of S. Ill. Univ., 317 F.3d 738, 741 (7th Cir. 2003).

EFF or the District Court should be made privy to this information for the limited purpose of an award disbursement. There is no reason why the EFF attorneys should receive a windfall merely because they are unable to confer with their own clients.

E. If a Court Sanctions an Attorney Pursuant Exclusively to Mandatory Statutes Requiring Sanctions Rather than its Inherent Power to Sanction, and the Mandatory Statutes Are Later Found Inapplicable, the Sanctions Cannot Rest on the Court's Equitable Powers Alone

i. Only the District Court may invoke its inherent power to sanction

In *Chambers* v. *NASCO, Inc.,* the United States Supreme Court recognized that federal courts possess the inherent power to sanction attorneys,[74] and that attorneys may be sanctioned pursuant to this authority even if Federal Rules exist which sanction the same conduct.[75] Accordingly, Appellant anticipates that Appellees will argue that the

[74] Chambers v. Nasco, Inc., 501 U.S. 32, 44, 111 S. Ct. 2123, 2132, 115 L. Ed. 2d 27, 44 (1991).
[75] *Id* at 47.

District Court could have sanctioned Appellant under its inherent powers, and that sanctions are therefore proper, even if they are not mandatory.

The EFF broached the District Court's inherent powers in Appellees' motion for sanctions.[76] The District Court could have invoked its inherent powers either *sua sponte* and, in the alternative, entertained a motion for statutory sanctions in the event that the operation of either was uncertain. However, the District Court declined to expressly exercise its inherent powers, and instead relied exclusively on the mandatory provisions contained in Rules 26 and 45 in ordering sanctions.[77] Appellant contends that when a court's inherent powers are not expressly invoked to sanction an attorney, they cannot act as a residual or 'springing' theory of liability on appeal.

Statutory provisions compel the court to sanction, whereas *Chambers* sanctions are discretionary. Therefore, irrespective of any strong language or censure, when a court invokes mandatory sanctions provisions, but fails to invoke its *Chambers* discretion, the implication is that an attorney's conduct violates the specific prohibitions of a

[76] R:229.
[77] R:311-312 ("The Court therefore finds that [Appellant] deserves sanctions under Rules 26 and 45 for issuing invalid subpoenas").

federal Rule, but that the court does not *choose* to sanction the attorney, or alternatively, that the attorney's conduct does not generally rise to the level of bad faith. If a court has *not* invoked mandatory provisions – or, as in this case, those provisions are shown to be inapplicable – *and* the court fails to expressly invoke its *Chambers* discretion, the same conclusion is required. It is absurd to think that an attorney's conduct is somehow made *more* egregious or that a court is *more* incensed by the absence or repudiation of a mandatory sanction.

Appellant does not wish to imply that the District Court was powerless to impose sanctions in this matter, or to impugn the District Court's broad powers over persons who appear before it in any way. Rather, Appellant here demonstrates that neither Rule 26 nor Rule 45 *required* the District Court to impose sanctions in this matter. As these are the only express grounds for sanctions advanced in the District Court's order, the misapplication of these statutes constitutes reversible error, notwithstanding the District Court's latent prerogative to sanction attorneys. *Appellees* may not invoke that prerogative now as an alternative theory of liability, because it was never theirs to invoke. Therefore, if the Court finds that neither Rule 26 nor Rule 45 required

the District Court to sanction Appellant, this should conclusively warrant complete reversal.

ii. The mens rea required for a Chambers sanction cannot be construed from the imposition of mandatory sanctions

Additionally, Appellant contends that the *mens rea* necessary for a *Chambers* sanction cannot be construed from the imposition of a mandatory sanction, because it requires a finding of bad faith.[78] However, this argument is complicated by the fact that the District Court, in its Order for Sanctions, 1) mentions its inherent power[79] and 2) asserts that Appellant acted in bad faith,[80] both via quotation. According to the District Court, "[the subpoenas] transparently and egregiously violated the Federal Rules, and [Stone] acted in bad faith and with gross negligence in drafting and deploying [them]." This quotation indicates that at least some part of the District Court's

[78] Chambers v. Nasco, Inc., 501 U.S. 32, 49, 111 S. Ct. 2123, 2135, 115 L. Ed. 2d 27, 48 (1991) ("[I]nvocation of the inherent power would require a finding of bad faith"); *see also* North American Rescue Prods. v. Bound Tree Med., LLC, 2009 U.S. Dist. Lexis 118316, 37-38 ("Whether an undue burden has been imposed is a factual inquiry made on a case by case basis and courts have generally required blatant abuse of the subpoena power before awarding sanctions… A disputed subpoena on its own, even if ultimately found unwarranted, typically does not support an imposition of sanctions. Rather an element of bad faith is usually required").
[79] R:308 ("To knowingly abuse [the subpoena] power is an affront to the fair and impartial administration of justice and is subject to sanctions under the inherent power of the court").
[80] *Id* ("[The subpoenas] transparently and egregiously violated the Federal Rules, and [Stone] acted in bad faith and with gross negligence in drafting and deploying [them]").

assertion of bad faith was premised on Appellant's violation of the Federal Rules of Civil Procedure. Accordingly, it is questionable whether the District Court would have maintained this stance if it had perceived its own errors regarding the applicability of Rules 26 and 45 to Appellant's conduct.

Moreover, an erroneous conflation of Appellant and his client may have colored the District Court's perspective. Specifically, the District Court found that "S*tone* took matters into his own hands and then dismissed this case after he got caught…[81] *Stone* issued the subpoena on the *same day* that he voluntarily dismissed [another] underlying case…[and] *Stone* ultimately dismissed that case…"[82] Dismissal in this context would be the client's prerogative,[83] and the District Court here imputes an impermissible exercise of control to Appellant. Because this inference is not the presumption when a case is dismissed, and because it is not supported by the record, it should not have informed the District Court's judgment.

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[81] R:310.
[82] R:300.
[83] *See* Comment 1 to Rule 1.02 of the Texas Disciplinary Rules of Professional Conduct ("The client has the ultimate authority to determine the objectives to be served by legal representation…within those limits, a client also has a right to consult with the lawyer about the general methods to be used in pursuing those objectives").

Finally, because a conclusion of bad faith was not necessary to arrive at the specific sanctions imposed, this assertion may be characterized as dicta. For these reasons, if the District Court's *Chambers* discretion is not invoked below, it should be unavailing on appeal, not only as a matter of law, but notwithstanding the District Court's assertion of bad faith in this instance.

iii. Appellant's conduct did not rise to the level of bad faith

In the alternative, Appellant contends that his conduct did not rise to the level of bad faith in fact, and that the District Court abused its discretion in so finding. Mistakes are not generally grounds for a finding of bad faith.[84] Generally, the kinds of subpoenas found to have been made in bad faith are massively overbroad. A subpoena requiring "all copies of e-mails sent or received by anyone," for instance, patently violates the Federal Rules of Civil Procedure, and was found to have been made in bad faith on that basis.[85] Contrast this with a subpoena

[84] *See* Ray A. Scharer & Co. v. Plabell Rubber Prods., Inc., 858 F.2d 317, 321 (6th Cir. 1988) ("[A] mistake would not meet the requirements for sanctions"); *See, e.g.,* In re Rollings, 2008 Bankr. Lexis 993, 17-18 (S.D. Tex. 2008) (negligent conduct was not found to rise to the level of bad faith).
[85] *See* Theofel v. Farey-Jones, 341 F.3d 978, 981 (9th Cir. 2003).

for "all records" served just one business day before trial. This was found to be sanctionable under 45 and patently unreasonable, but *not* done in bad faith.[86] Likewise, a subpoena requiring a "litany of documents," served just 48 hours before the date for production, was sanctionable under Rule 45, but did not rise to the level of bad faith.[87]

Statutory sanctions and *Chambers* sanctions are not mutually exclusive. If the court in either of the two previous examples had found bad faith, it could have sanctioned the attorney on this *additional* basis. In this case, Appellant served extremely narrow subpoenas by mistake, and has demonstrated that the subpoenas were not violative - or were not *patently* violative - of the Rules. The District Court, therefore, abused its discretion in finding that Appellant acted in bad faith.

iv. If Appellant's conduct is sanctionable under the District Court's inherent powers but not Rule 45 or Rule 26, the sanction must be limited to attorney's fees

Finally, if this Court determines that the District Court's misapplication of Rules 45 and 26, and its failure to expressly impose a

[86] *See* Am. Int'l Life Assur. Co. v. Vazquez, 2003 U.S. Dist. LEXIS 2680 (S.D.N.Y. 2003).
[87] *See* Digital Resource, L.L.C. v. Abacor, Inc. 246 B.R. 357, 373 (8th Cir. 2000).

Chambers sanction do not foreclose the imposition of sanctions pursuant to the District Court's inherent power, and finds that the District Court did not abuse its discretion by finding bad faith, Appellant respectfully requests that the initial $10,000 sanction be reversed. Sanctions imposed for bad faith conduct pursuant to the court's inherent powers, unlike statutory sanctions, may *only* be for attorney's fees.[88] If this Court agrees that sanctions were not required under Rules 45 or 26, the imposition of any additional or deterrent sanctions is therefore inappropriate, irrespective of any latent equitable power.

[88] *See Chambers* 501 U.S. 32 (1991) ("[A] court may assess *attorney's fees* when a party has acted in bad faith…" [emphasis added]); *See also* Am. Seeds, LLC v. Watson, 2010 U.S. Dist. Lexis 104102, *citing* United States v. Gonzelez-Lopez, 403, F.3d 558, 564 (8th Cir. 2005) ("This inherent power is similar to the court's other powers to impose sanctions, but it is both broader in that it may reach more litigation abuses and narrower in that it may *only* be for attorney's fees" [emphasis added]).

CONCLUSION

For any of the reasons here discussed, the District Court has abused its discretion. Appellant respectfully requests that the District Court's Order of sanctions against Appellant should be reversed in its entirety, or in part, as this Court deems appropriate.

CERTIFICATE OF COMPLIANCE

Pursuant to 5th Cir. R. 32.2.7(c), undersigned counsel certifies that this brief complies with the type-volume limitations of 5th Cir. R. 32.2.7(b).

1. Including headings and footnotes, but exclusive of the portions exempted by 5th Cir. R. 32.2.7(b)(3), this brief contains 10,730 words printed in a proportionally spaced typeface.
2. This brief is printed in a proportionally spaced, serif typeface using Century Schoolbook 14 point font in text and Century Schoolbook 12 point font in footnotes, produced by Microsoft Word 2011 for Mac, version 14.1.3.
3. Upon request, undersigned counsel will provide additional electronic versions of this brief and/or copies of the Word printout to the Court.
4. Undersigned counsel understands that a material misrepresentation in completing this certificate, or circumvention of the type-volume limits in 5th Cir. R. 32.2.7, may result in the Court's striking this brief and imposing sanctions against the person who signed it.

Respectfully submitted,

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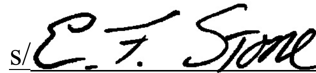
CERTIFICATE OF SERVICE

I, Evan Stone, certify that a copy of the brief for appellant and the official record in this case, consisting of one volume of the pleadings, will be served upon counsel for the Appellees, Matthew Zimmerman and Paul Alan Levy by certified mail at 454 Shotwell St., San Francisco, CA 94110 and 1600 20th St. NW, Washington, DC 20009, respectively, on January 11, 2012.

Respectfully submitted,

s/

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