FORUM FIGHTS AND EARLY DISPOSITIVE MOTIONS

I. PRIORITY OF JURISDICTION

A. Basics of First-Filed Rule

1. Federal Court: Based on Time of Filing

a. Where two suits based substantially upon the same facts or transactions are pending in two federal courts, the court in which the complaint was filed first has priority to decide the dispute, and the second-filed court should defer to the first by dismissing the case or transferring it to the first district. *Barber-Greene Co. v. Blaw-Knox Co.*, 239 F.2d 774, 778 (6th Cir. 1957); *Plating Resources, Inc. v. UTI Corp*., 47 F.Supp. 2d 899, 904-05 (N.D. Ohio 1999).

b. "Substantial overlap" of the parties and claims in the two suits is enough to implicate the first-filed rule; complete identity is unnecessary. *Save Power Ltd. v. Syntek Fin. Corp.,* 121 F.3d 947, 950-51 (5th Cir. 1997).

c. Time of service of process is irrelevant because the date and time of filing provides the best means to ascertain chronological preference. *American Modern Home Ins. v. Insured Account Co*., 704 F.Supp. 128, 130 (S.D. Ohio 1988).

d. District courts have discretion whether to apply the first-filed rule in a given case. *Alltrade, Inc. v. Uniweld Products, Inc*., 946 F.2d 622, 628 (9th Cir. 1991).

2. Ohio Courts: Based on Service of Process

a. It has long been Ohio law that, between courts of concurrent and coextensive jurisdiction, the court first acquiring jurisdiction has the power to adjudicate the whole case. *Miller v. Court of Common Pleas*, 143 Ohio St. 68, 70 (1944).

b. Service of process is a condition precedent in determining which of two Ohio courts has the exclusive right to adjudicate the whole case. *Balson v. Harnishfeger*, 55 Ohio St. 2d 38, 39-40 (1978).

3. Federal v. State

a. There is a split of authority among federal courts regarding whether the first-filed rule applies where one case was filed in federal court and the other in state court. *See* cases collected at *Central States Indus. Supply, Inc. v. McCullough*, 218 F.Supp. 2d 1073, 1902-94 (N.D. Iowa 2002).

b. Ohio federal courts do not follow the first-filed rule in federal v. state court situations. Instead, Ohio federal courts analyze the issue under federal abstention doctrines. *Pritchard v. Dent Wizard Int'l Corp.*, 275 F.Supp. 2d 903, 910-11 (S.D. Ohio 2003).

B. How to Implement/Enforce First-Filed Rule

1. Do Not Delay in Filing

a. Every Minute Counts. Several courts have held that the first-filed case is entitled to priority even where the second-filed suit is filed on the same day. *See, e.g., Plating Resources, Inc. v. UTI Corp.*, 47 F. Supp. 2d 899, 904 (N.D. Ohio 1999) (transferring a case filed "later that afternoon"); *But see Ontel Prods., Inc. v. Project Strategies Corp.*, 899 F. Supp. 1144, 1153 (S.D.N.Y. 1995) (where lawsuits are filed on the same day, the first-filed rule is inapplicable).

b. Service, in federal court, is irrelevant. As found in *Peregrine Corp. v. Peregrine Indus., Inc.*, 769 F.Supp. 169, 173 (E.D. Pa. 1991), Rule 4 allows the plaintiff 120 days to effect service; a court will not second-guess tactical decisions as to when to serve. *See also American Modern Home Ins. v. Insured Accounts Co.*, 704 F.Supp. 128, 129-30 (S.D. Ohio 1988).

2. Include Affirmative Claims for Relief if Legitimate

3. "Cover" the Claims To Be Made and Parties To Be Included by the Adverse Party. Since the test is "substantial overlap", it makes sense to anticipate the adverse party's claims, and the transactions involved, and mirror those as much as possible. *Save Power Ltd. v. Syntek Fin. Corp.*, 121 F.3d 947, 950-51 (5th Cir. 1997). It is likewise helpful to attempt to name all parties likely to be included in the opposing party's suit.

4. Advance the Ball as Much as Possible. Some courts have analyzed whether the first-filed action is proceeding with diligence. *See, e.g., Brendle v. Smith*, 46 F. Supp. 522, 526 (S.D.N.Y. 1942). Thus, it makes sense to start discovery, insofar as it can be done consistent with the Federal and Local Rules.

5. What Motion Do You File and Where?

   a. It is generally recognized that the court in which the action is first filed has the power to determine which of the two cases should proceed. *Cadle Co. v. Whataburger of Alice, Inc.*, 174 F.3d 599, 606 (5th Cir. 1999); *Texas Instruments, Inc. v. Micron Semiconductor, Inc.*, 815 F. Supp. 994, 999 (E.D. Tex. 1993). Therefore, it would make sense for the first-filed court to enjoin the prosecution of the second-filed action.

   b. Many "second-filed" courts, however, have stayed, dismissed, or transferred cases pending before them upon motion of the first-filed plaintiff. *Plating Resources*, 47 F. Supp. 2d at 904-05; *in re Multidistrict Litigation Concerning Air Crash Disaster*, 879 F. Supp. 1196, 1198 (N.D. Ga. 1994).

   c. The Sixth Circuit has recognized all options: dismissal or transfer of the duplicative suit or an injunction restraining the plaintiff in the duplicative suit. *Smith v. S.E.C.*, 129 F.3d 356, 361 (6th Cir. 1997).

   d. The decision as to what motion to file and in which court to file it turns on an analysis of which judge is more likely to want to clear his or her docket, which judge is likely to rule first, and in which jurisdiction the law is most favorable.

C. Exceptions/Caveats to First-Filed Rule

1. Anticipatory Suit Doctrine. "Courts take a dim view of declaratory plaintiffs who file their suits mere days or weeks before the coercive suits filed by a 'natural plaintiff' and who seem to have done so for the purpose of acquiring a favorable forum. Allowing declaratory actions in these situations can deter settlement negotiations and encourage races to the courthouse, as potential plaintiffs must file before approaching defendants for settlement negotiations, under pain of a declaratory suit. *AmSouth Bank v. Dale*, 386 F.3d 763, 788 (6th Cir. 2004).

2. Bad faith. "The critical issue appears to be whether the plaintiff in the earlier-filed declaratory action misled the defendant into believing that their dispute could be resolved amicably so that the plaintiff could win the race to the courthouse and therefore choose the forum for the dispute." *Kmart Corp. v. Key Indus.,* 877 F. Supp. 1048, 1053 (D. Mich. 1994); *Zide Sport Shop of Ohio, Inc. v. Ed Tobergte Assocs.,* 2001 U.S. App. LEXIS 17225 (6th Cir. 2001) (finding overwhelming evidence of bad faith where plaintiff had asked for extension of time to respond to a settlement demand, then filed declaratory suit before the new deadline).

II. REMOVAL ISSUES

A. When Is an Action Removable?

1. General Rule: Any civil action brought in a state court, of which the district courts of the United States have original jurisdiction, may be removed by the defendant or the defendants, to the district court of the United States for the district and division embracing the place where such action is pending. 28 U.S.C. § 1441.

2. Federal Question Cases.

   a. Federal courts have jurisdiction over "all civil actions arising under the Constitution, laws, or treaties of the United States." 28 U.S.C. § 1331.

   b. A case "may not be removed to federal court on the basis of a defense, even if the defense is anticipated in the plaintiff's complaint and even if both parties admit that the defense is the only question truly at issue in the case." *Franchise Tax Bd. of Cal. v. Construction Laborers Vacation Trust for Southern Cal.*, 463 U.S. 1, 14 (1983).

   c. The Artful Pleading Doctrine. A plaintiff may not defeat removal by choosing not to plead necessary federal questions. *Rivet v. Regions Bank of Louisiana*, 522 U.S. 470, 475 (1998). The artful pleading doctrine allows removal where federal law completely preempts a plaintiff's state-law claim. Although federal preemption is ordinarily a defense, "once an area of state law has been completely pre-empted, any claim purportedly based on that pre-empted state-law claim is considered, from its inception, a federal claim, and therefore arises under federal law." *Caterpillar Inc. v. Williams*, 482 U.S. 386 393 (1987).

i. ERISA. *See Metropolitan Life Ins. Co. v. Taylor.,* 481 U.S. 58, 65-66 (1987) (upholding removal based on the preemptive effect of § 502(a)(1)(B) of the Employee Retirement Income Security Act).

ii. LMRA. *Avco Corp.* v. *Machinists,* 390 U.S. 557, 560, (1968) (upholding removal based on the preemptive effect of § 301 of the Labor Management Relations Act).

3. Diversity Cases

a. Diversity exists when the parties are completely diverse (*i.e.*, no two persons on adverse sides of the case are citizens of the same state) and the amount in controversy exceeds $75,000.00. 28 U.S.C. § 1332.

Citizenship of Business Entities
A corporation is a citizen of the state of incorporation and the state in which its principal place of business is located. A partnership is a citizen of each state of which a partner is a citizen. There is disagreement in the courts as to whether an LLC should be treated as a corporation or a partnership for purposes of diversity, but the recent trend is to treat an LLC as a partnership, such that it is a citizen of each state of which a member is a citizen. *See* Debra R. Cohen, Citizenship of Limited Liability Companies for Diversity Jurisdiction, 6 J. Small & Emerging Bus. L. 435.

b. A case cannot be removed on the basis of diversity if any defendant is a citizen of the state encompassing the court in which the case was filed. 28 U.S.C. § 1441.

c. A case cannot be removed more than one year after the case was filed in state court. 28 U.S.C. § 1446.

B. Logistics of Removal

1. A defendant must remove within 30 days of a case becoming removable, 28 U.S.C. § 1446, but, in the instance of diversity, not more than one year after the case was filed. 28 U.S.C. § 1446.

2. Unanimity Required - all defendants who have been served or otherwise properly joined in the action must either join in the removal or file a written consent to the removal. *Brierly v. Alusuisse Flexible Packaging, Inc.,* 184 F.3d 527, 533 n.3 (6th Cir. 1999); *Jeffrey Mining Prods., Inc. v. Left Fork Mining Co.*, 992

F.Supp. 937, 938 (N.D. Ohio 1997) ("if not all of the named and served defendants have agreed to the removal of a lawsuit from state to federal court within the time allotted by statute, then removal is considered defective and remand to the state court is in order").

C. Strategic Considerations Involving Removal

1. Expertise of Judges. For example, in labor and employment cases.

2. Discovery Issues. Fed. R. Civ. P. 26 requires initial disclosures; no analogous state rule exists in Ohio. A party may serve 40 interrogatories in Ohio state court, but are limited to 25 in federal court. Ohio R. Civ. P. 33; Fed. R. Civ. P. 33.

3. Effect on Timing. Fed. R. Civ. P. 81(c): In a removed action in which the defendant has not answered, the defendant shall answer or present the other defenses or objections available under these rules in whichever time period is longest:

   a. within 20 days after the receipt through service or otherwise of the initial pleading setting forth the claim for relief upon which the action is proceeding;

   b. within 20 days after the service of summons upon an initial pleading then filed; or

   c. within 5 days after the filing of the petition for removal.

4. Effect of Removal on Venue Objections

   a. Because questions of venue are essentially procedural, federal law applies to venue questions in diversity cases upon removal to federal court. *Jumara v. State Farm ins. Co.*, 55 F.3d 873, 77 (3d Cir. 1995).

   b. 28 U.S.C. § 1391(a), which specifics the districts in which an action may be "brought," and Section 1391(c), which limits the districts in which a corporation may be "sued", are inapplicable where an action was *brought* in a state court and *removed* to a federal district court. *Polizzi v. Cowles Magazines, Inc.*, 345 U.S. 663, 665-66 (1953).

c. The proper venue of a removed action is "the District Court of the United States for the district and division embracing the place where such action is pending" 28 U.S.C. §1441(a); *Polizzi*, 345 U.S. at 666.

d. A defendant that removes an action to federal court cannot then seek dismissal or a venue transfer on the grounds of improper venue under § 1406(a). A defendant cannot object that venue is improper where it implicitly sanctioned venue in the federal district where it sought to move the state lawsuit. *Jeffrey Mining Prods., Inc.*, 992 F.Supp. at 938. In removing the action to federal district court, the removing party waives its ability to claim improper venue and the removal cures any defect in venue in that federal court. *Suarez Corp. Indus. v. McGraw*, 71 F. Supp. 2d. 769, 779 (N.D. Ohio 1999).

e. A party removing a case from state to federal court may, however, move for transfer of venue on the basis of forum non-conveniens or by stipulation of all parties under 28 U.S.C. § 1404(a). *Jeffrey Mining Prods., Inc.*, 992 F.Supp. at 938.

III. EARLY DISPOSITIVE MOTIONS

A. Jurisdiction and Venue Issues.

1. Subject Matter Jurisdiction / Mandatory Arbitration Provisions.

a. A motion to dismiss premised upon the argument that a plaintiff's claim must be submitted to arbitration is properly analyzed under Rule 12(b)(1). *Dalton v. Jefferson Smurfit Corp.*, 979 F.Supp. 1187 (S.D. Ohio 1997). On such a motion, the plaintiff has the burden of establishing subject matter jurisdiction. *Rogers v. Stratton Indus., Inc.*, 798 F.2d 913, 915 (6th Cir. 1986).

b. When the defendant challenges the court's jurisdiction over the matter, it is considered a "factual attack." *RMI Titanium Co. v. Westinghouse Elec. Corp.*, 78 F.3d 1125, 1134-35 (6th Cir. 1996). In resolving a factual attack, no presumptive truthfulness applies to the complaint's factual allegations and the Court "is free to weigh the evidence and satisfy itself as to the existence of its power to hear the case." *Id.* at 1134.

c. Arbitration provisions in contracts are generally enforceable. *See Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614, 628 (1985); *Gilmer v. Interstate/Johnson Lane Corp.*, 500 U.S. 20 (1991); see *also Morrison v. Circuit City Stores, Inc.,* 317 F.3d 646 (6th Cir. 2003); *Dantz v. Apple American Group LLC, et al.*, 277 F.Supp. 2d 794 (N.D. Ohio 2003) (dismissing complaint to compel arbitration of employment claims according to contract).

d. Under Ohio law, an arbitration clause in a contract is "to be upheld just as any other provision in a contract should be respected." *Williams v. Aetna Fin. Co*., 83 Ohio St. 3d 464, 471, (1998), *citing Council of Smaller Enterprises v. Gates, McDonald & Co.*, 80 Ohio St. 3d 661, 668-87, (1998).

2. Personal Jurisdiction Forum Selection Clauses

a. Motion to Dismiss for Lack of Personal Jurisdiction.

i. The plaintiff bears the burden of establishing jurisdiction over the defendant's person, but the court treats the allegations contained in a plaintiff's complaint, affidavits, and depositions as true, and any factual disputes are resolved in favor of the plaintiff. *Compuserv, Inc. v. Patterson*, 89 F.3d 1257, 1261-62 (6th Cir. 1991); *Suarez v. McGraw*, 71 F.Supp. 2d 769, 774 (N.D. Ohio 1999).

ii. A district court sitting in diversity must, in the first instance, apply the law of the forum state when determining whether personal jurisdiction exists over a defendant. *Welsh v. Gibbs*, 631 F.2d 436, 438 (6th Cir. 1980).

b. Forum Selection Clauses – Presumptively Enforceable

i. Forum selection clauses are presumptively enforceable and the party seeking to invalidate such a clause bears a heavy burden of showing that it is unenforceable. *Carnival Cruise Lines, Inc. v. Shute*, 499 U.S. 585, 593-94 (1991); *Kennecorp Mtge. Brokers, Inc. v. Country Club Convalescent Hosp., Inc.*, 66 Ohio St. 3d 173 (1993).

ii. Jurisdiction need not be stated with particularity. A number of Ohio courts have upheld forum selection clauses in commercial contracts in which the jurisdiction is not stated with particularity. *See Gen. Elec. Co. v. G. Siempelkamp GmbH & Co.* (C.A.6, 1994), 29 F.3d 1095, 1097 (upholding a clause which provided that the "place of jurisdiction *** shall be at the principal place of business of the supplier"); *Bernath v. Potato Servs. of Michigan* 2002 U.S. Dist. LEXIS 18871, (N.D. Ohio Sept. 30, 2002), No. 3:02CV7105; *accord Preferred Capital v. Flagship Investigations, Inc.* (Dec. 3, 2004), Cuyahoga C.P. No. CV-04-537657 (upholding an identical forum selection clause, stating that there was "no clear showing that litigating the contract dispute in Cuyahoga County is unreasonable or would result in a manifest injustice").

iii. A forum selection clause may, however, be too vague to enforce. In *BP Marine Americas v. Geostar Shipping Co. N.V.,* 1995 U.S. Dist. LEXIS 3764, Civ. A. No. 94-2118 (E.D. La. March 22, 1995), the forum selection clause at issue stated: "The High Court in New York shall have exclusive jurisdiction over any dispute which may arise out of this Charter." Finding that the "High Court in New York" is a forum that does not exist, the court concluded that the clause was "sufficiently vague to render it unenforceable."

c. Forum Selection Clauses – Consent to Jurisdiction

i. Forum selection clauses have been held to waive objections to personal jurisdiction. *Preferred Capital, Inc. v. New Tech Eng'g, LP,* 2005 U.S. Dist. LEXIS 32619 (N.D. Ohio 2005) ("a consent to venue implies a waiver of or consent to personal jurisdiction because 'a waiver of objection to venue would be meaningless...if it did not also contemplate a concomitant waiver of objection to personal jurisdiction.'") (quoting *Richardson Greenshields Secs. Inc v. Metz,* 566 F. Supp. 131, 133 (S.D.N.Y. 1983)); *but see Washburn v. Garner,* 2005 U.S. Dist. LEXIS 16623 (W.D. Ky. 2005) (entertaining objection to personal jurisdiction while enforcing forum selection clause).

ii. In *Preferred Capital, Inc. v. Interscience, Inc.*, Cuyahoga No. 542159, (December 9, 2004), the Court declined to enforce a vague forum selection provision (identical to that discussed above), and granted the defendant's motion to dismiss for lack of personal jurisdiction. *See also Copelco Capital, Inc. v. St. Mark's Presbyterian Church*, No. 77633, 2001 Ohio App. LEXIS 315 (Feb 1, 2001) (declining to enforce a similar contract provision).

B. Motion to Dismiss for Failure to State a Claim

1. Fed. R. Civ. P. 12(b)(6) Standard

a. No complaint shall be dismissed unless the plaintiff has failed to allege facts in support of plaintiff's claim that, construed in plaintiff's favor, would entitle the plaintiff to relief. *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957)

b. The inquiry is essentially limited to the content of the complaint, although matters of public record, orders, items appearing in the record, and attached exhibits also may be taken into account. *Yanacos v. Lake County*, 953 F. Supp. 187, 191 (N.D. Ohio 1996).

c. A court is not bound to accept as true a legal conclusion couched as a factual allegation. *Papasan v. Allain*, 478 U.S. 265, 286 (1986).

2. Consider Moving to Dismiss in Cases With Heightened Pleading Requirements

a. Federal Rule 9(b): Fraud

A plaintiff must plead fraud with particularity, which means that the plaintiff must allege specifically times, places, and contents of the underlying fraud. *Vild v. Visconsi*, 956 F. 2d 560, 567 (6th Cir. 1992).

b. RICO

A plaintiff must plead facts sufficient to establish a pattern of racketeering activity. *Vemco, Inc. v. Camardella*, 23 F. 3d 129, 133 (6th Cir. 1994).

In RICO cases alleging mail fraud and wire fraud, the underlying fraudulent activities must be pled with particularity. *Eby v. Producers Co-Op, Inc,*, 959 F. Supp. 428, 431 (W.D. Mich. 1997).

c. Governmental Immunity.

In *Fahnbulleh v. Strahan*, 73 Ohio St. 3d 666, 667 (1995), the Ohio Supreme Court affirmed dismissal of a complaint against the City of Columbus and its employee acting in the scope of employment where the complaint contained no factual allegations that would prevent the defendants from claiming governmental immunity.

C. Summary Judgment - consider for discrete issues on which facts are undisputed.

Examples: statute of frauds, where a defendant is not a party to a contract upon which the action is based, where there is clearly no basis for personal liability, and for statutory causes of action where an element is indisputably not satisfied.

D. Know Your Judge When Considering an Early Motion.

1. Case Management Conference Scheduling Order
Judge James Gwin – Northern District of Ohio

This Court requires defendants to file an answer to the complaint regardless of whether they have filed or plan to file a motion to dismiss. The filing of a motion to dismiss shall not delay the time in which a party must answer the complaint.

2. Case Management Conference Scheduling Order
Judge Kathleen O'Malley – Northern District of Ohio

Motions for summary judgment may be filed at any time, authorized under Rule 56, F.R.C.P., but the filing of such motions prior to the completion of discovery relevant to the issues raised is discouraged.

DEPOSITIONS OF IN-HOUSE COUNSEL

I. CONCERNS RAISED BY DEPOSITION OF IN-HOUSE COUNSEL

While not long ago, the deposition of an attorney was a highly unusual occurrence, deposing of in-house counsel has become an increasingly common litigation tactic. *Shelton v. American Motors Corp.*, 805 F.2d 1323, 1327 (8th Cir. 1986). In-house lawyers are attractive deponents - they often have information about the facts giving rise to the litigation and know the persons within the company who have discoverable information. Todd Presnell, *Depositions of In-House Counsel*, In-House Defense Quarterly, Winter 2007, p.51. Nonetheless, in-house lawyers have raised legitimate concerns about this tactic, including:

- The in-house lawyer's ethical mandate not to reveal information relating to the representation of the company unless the company gives informed consent;
- Disqualification as trial counsel because the lawyer has testified as a witness in the matter; and
- The deposition subpoena may seek documents that constitute work-product.

II. RESPONDING TO THE NOTICE OR SUBPOENA

Courts have taken two approaches to resolving disputes over attempts to depose in-house lawyers. The first approach is the offensive tactic of filing a motion to quash or a motion for a protective order in advance of the deposition. The second approach is defensive and requires the attorney to attend the deposition and object to particular questions at that time.

A. Filing A Motion To Quash Or A Motion For A Protective Order.

The seminal case supporting the offensive tactic of filing a motion to quash the subpoena or a motion for a protective order is *Shelton v. American Motors Corp.*, 805 F.2d 1323 (8th Cir. 1986). *Shelton* involved a products liability action against a car manufacturer wherein the plaintiffs attempted to take the deposition of the defendant car manufacturer's supervising in-house counsel. *Id*. at 1325. At deposition, the attorney refused to answer questions about the existence of various documents relating to the product at issue in the litigation. *Id*. The *Shelton* case presented the Eighth Circuit with the issue of under what circumstances an in-house counsel may be deposed by an adversary.

The *Shelton* Court "view[ed] the increasing practice of taking opposing counsel's deposition as a negative development in the area of litigation, and one that should be employed only in limited circumstances." *Id*. at 1327. The Court identified several troubling issues raised by these depositions, including the chilling effect on attorney-client communication, pretrial delays to resolve objections, and general disruption of the adversarial system. *Id*. To protect these concerns, the Court limited the circumstances in which the court should order the taking of opposing counsel's deposition to "where the party seeking to take the deposition has shown that (1) no other means exist to obtain the information than to depose opposing counsel, (2) the information sought is relevant and nonprivileged, and (3) the information is crucial to the preparation of the case." *Id*. Thus, under the *Shelton* rule, upon the filing of a motion to quash or for a protective order, the burden is placed on the party seeking discovery to meet all three of the *Shelton* requirements.

The *Shelton* approach has been adopted by the Sixth Circuit. *See Nationwide Mutual Ins. Co. v. The Home Ins. Co.*, 278 F.3d 621, 629 (6th Cir. 2002) (holding that the party taking the deposition failed to establish the third *Shelton* factor, *i.e.* that the information sought from in-house counsel was crucial to the preparation of its case).

B. Appearing At The Deposition And Objecting To Specific Questions.

Some courts have criticized the *Shelton* approach. The Second Circuit noted that "the standards set forth in Rule 26 require a flexible approach to lawyer depositions whereby the judicial officer supervising discovery takes into consideration all the relevant facts and circumstances to determine whether the proposed deposition would entail an inappropriate burden or hardship." *In re: Supoena Issued to Friedman*, 350 F.3d 65, 72 (2d Cir. 2003). The *Friedman* Court continued, "the fact that the proposed deponent is a lawyer does not automatically insulate him or her from a deposition nor automatically require prior resort to alternative discovery devices…" *Id*.

The district court in *Quad. Inc. v. Aln Assocs.*, 132 F.R.D. 492, 495 (N.D. Ill. 1990) expressly rejected the *Shelton* rule and denied plaintiff's motion for a protective order. The Court announced that it "subscribes wholeheartedly to a procedure that rejects any prior restraint in favor of permitting the deposition to go forward, with any individualized objections to be dealt with during its regular course." *Id*.

III. WHAT IS PROTECTED AND WHAT IS DISCOVERABLE

A. What The Attorney-Client Privilege Protects

Communications Between Corporations And Their Attorneys: The attorney-client privilege is available to corporate entities as well as to natural persons. The staff note to Rule 501 of the Ohio Rules of Evidence observes:

> Problems of considerable magnitude continue with respect to the attorney-client privilege in the case of corporate clients. While R.C. 2317.021 establishes the existence of the privilege to corporate clients, the scope of communication covered by the privilege remains clouded. *In re Tichy* (1954), 161 Ohio St. 104 and *In re Keough* (1949), 151 Ohio St. 307 extend the corporate privilege to certain accident reports prepared in anticipation of litigation. However, much remains in delimiting the privilege in this area.

In *Upjohn Company v. United States* (1981), 449 U.S. 383, the United States Supreme Court determined that the attorney-client privilege extended to communications regarding legal advice made by various *Upjohn* employees to the company's outside counsel. 449 U.S. at 390-391. The Court obviously concluded that the investigative activities of outside counsel are a necessary predicate to the rendition of legal services and advice. The *Upjohn* Court rejected the so-called "control group" test for whether the attorney-client privilege attaches to communications between the employees of a corporation and the corporation's attorneys. Under the "control group" test, only members of senior management of a corporation who may be in a position to control or take action on the attorney's advice can make communications that are covered by the attorney-client privilege. *Upjohn* rejected this test in favor of the "subject matter" test noting the "Hobson's Choice" faced by counsel: either interview employees without the protection or the attorney-client privilege, or forego those interviews and render advice to the corporation based upon incomplete information. 449 U.S. at 391-392.

Upjohn has been cited with approval by numerous Ohio Courts of Appeals. *See, e.g.*, *Tyes v. St. Luke's Hospital* (Cuyahoga App. 1993), 1993 Ohio App. Lexis 5735; *State v. Laguta* (Cuyahoga App. 1993), 1993 Ohio App. Lexis 4422; *Smith v. Midwest Health Services* (Hamilton App. 1993), 1993 Ohio App. Lexis 1384 (pertaining to a confidential report prepared by a nurse at the direction of her supervisor, which report was delivered to the director of risk management as well as the hospital's attorneys); *Ware v. Miami Valley Hospital* (Montgomery App. 1992), 78 Ohio App. 3d 314, 604 N.E.2d 791.

The courts in *Woodruff v. Concord City Discount Clothing Store* (Montgomery App. 1987), 1987 Ohio App. Lexis 5914, and *State v. Dukes* (Cuyahoga App. 1986), 34 Ohio App. 3d 263, 518 N.E.2d 28, cited *Upjohn* with approval for the precise policies that prompted the *Upjohn* Court to reject the "control group test".

In *Mickel v. Huntington Bank* (Lucas App. 1982), 1982 Ohio App. Lexis 11621, the Court, citing *Upjohn*, concluded that a party can assert the attorney-client privilege with respect to communications between that party's former employee and the party's attorneys.

The Ohio Supreme Court has recognized *Upjohn*'s holding that communications made by corporate employees acting at the direction of corporate superiors in order to secure legal advice for the corporation from corporate counsel are protected by attorney-client privilege. *See State ex rel. Leslie v. Ohio Housing Finance Agency* (2005), 105 Ohio St.3d 261, 265.

In *Guy v. United Health Care Corp.* (S.D. Ohio 1993), 154 F.R.D. 172, the Magistrate Judge concluded that Ohio's law of privilege prevented discovery of privileged materials that had been disclosed to a parent corporation by a wholly owned subsidiary. The subject materials involved communications between the subsidiary and its counsel that occurred before the subsidiary was acquired by the parent. The court concluded that the privilege was not lost merely by a change in management or structure on a corporate-wide basis.

Preliminary drafts of communications subsequently sent to third parties are covered by the attorney-client privilege to the extent that they reflect legal advice. *Guy v. United Health Care Corporation*, 154 F.R.D. at 178.

Where drafts of minutes of a meeting of a company's board of directors failed to contain any request for legal advice from the company, however, those documents are not protected by the attorney-client privilege. *Id.*

Legal memoranda prepared by counsel and reflecting legal research into issues surrounding a potential transaction are protected from disclosure by the attorney-client privilege. *Id*. at 179.

A memorandum sent by outside counsel to the company's board of directors in connection with an unsuccessful effort to acquire the company by a third party is considered to be protected by the attorney-client privilege. *Id.*

Where statutes and other legal authorities are copied and provided to a client by an attorney in connection with the provision of legal advice, those documents are also protected by the attorney-client privilege. *Id*.

Correspondence from a company's outside counsel to its in-house counsel providing legal advice is privileged. *Id*.

Memoranda from in-house counsel to the company's officers rendering legal advice is also privileged. *Id*.

Correspondence from a corporate office to in-house counsel providing materials requested by in-house counsel in conjunction with pending claims is also protected from disclosure by the privilege. *Id*.

The attorney-client privilege has also been held to protect collections of notes by in-house counsel dealing with acquisition, negotiation, and shareholder litigation issues. *Id*.

The privilege also protects comments on press releases solicited for purposes of giving advice, even if more than one writer contributed to the comments. *Id*. at 180.

Notes and drafts of documents by in-house counsel relating to the structure of the subsequent acquisition of one company by the in-house counsel's company are also protected by the privilege. *Id*.

Unredacted minutes of a meeting of a corporation's audit committee at which the company's outside counsel was present are protected by the attorney-client privilege. The Court held that the redacted portion of the minutes contained material subject to the attorney-client privilege as the recording of communications between the corporation and its attorney who was acting in the capacity of an attorney by giving legal advice. *Desert Orchid Partners LLC v. Transaction System Architects, Inc.,* D. Neb., 8:02CV561, 5/17/06.

Not all communications from a corporate client to its attorney are entitled to the protection of the privilege. In *Johndahl v. Columbus Trotting Association, Inc.* (Franklin App. 1956), 4 Ohio Ops. 2d 179, for example, the Franklin County Court of Appeals refused to apply the attorney-client privilege to "detailed information respecting the assets of [a] partnership, the value thereof, how acquired by plaintiff, etc." that was imparted to an attorney in his capacity as counsel for the plaintiff and the partnership. 4 Ohio Ops. 2d at 185. There were two reasons that the Franklin County Court of Appeals so held: the first was that these facts were included in the application for incorporation of the partnership and an appraisal of its assets that became public property or were provided to the attorney with the intention that they become public property and,

therefore, could not "be said to be confidential in the nature." *Id*. The second reason given, a more practical and sound reason, was that in the meetings where the subject communications occurred, third parties were present. *Id*.

B. What The Attorney Work Product Privilege Protects

1. The Attorney Work Product Privilege Is Incorporated In Rule 26(b)(3)

> Trial preparation: Materials. Subject to the provisions of subdivision (B)(4) of this rule, a party may obtain discovery of documents and tangible things prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including his attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing of good cause therefor. A statement concerning the action or its subject matter previously given by the party seeking the statement may be obtained without showing good cause. A statement of a party is (a) a written statement signed or otherwise adopted or approved by the party, or (b) a stenographic, mechanical, electrical, or other recording, or a transcription thereof, which is a substantially verbatim recital of an oral statement which was made by the party and contemporaneously recorded.

Both *Hickman* and Rule 26 have three levels of work product.

a. Facts Contained In Work Product – Discoverable by separate fact discovery.

b. Ordinary Work Product – Discoverable only by demonstration of substantial need and undue hardship.

c. Opinion Work Product – Rarely ever discoverable.

2. Scope Of Privilege – Immune From Discovery

a. Ordinary Work Product. In many instances, courts hold "ordinary work product" to be immune from discovery.

1. Witness Statements. If the statements are taken for the purpose of trial preparation, the statements are work-product. *See Colorado v. Schmidt-Tiago Constr. Co.* 108 F.R.D. 731 (D. Colo. 1985).

2. Investigators' Reports.

   a. If Prepared In Anticipation Of Litigation Or Trial, The Reports Are Work-Product. If they are maintained in the ordinary course of business, then they are not work-product, and therefore are discoverable. Evidence that investigation of certain types of transactions was typical would be an inference of "ordinary course of business." *See Bondy v. Brophy*, 124 F.R.D. 517 (D. Mass. 1989).

      The Sixth Circuit has adopted the test that a document is prepared "in anticipation of litigation" if it was prepared or obtained because of the prospect of litigation. In applying the "because of" test, the Court recognized both a subjective and objective element of the inquiry. A party must have a subjective belief that litigation was a real possibility and that belief must have been objectively reasonable. *United States v. Roxworthy*, 2006 U.S. App. LEXIS 20481.

   b. Investigative Files Of Ohio Disciplinary Counsel Are Protected From Discovery. *See Disciplinary Counsel v. Deborah P. O'Neill* (1996), 72 Ohio St.3d 1479.

3. Surveillance Videotapes. Videotapes should be treated the same as other evidence in regard to the work-product rule. *See Sires v. National Serv. Corp*., 560 So.2d 448 (La. Ct. App. 1990).

4. Sketches And Diagrams. Even if the sketches themselves were not prepared in anticipation of litigation, the selection, grouping and synthesis of the documents can become work-product because they reveal the strategy and opinion of the attorney. *See Bohannon v. Honda Motor Co*., 127 F.R.D. 536 (D. Kan. 1989).

b. Opinion Work Product. There is less case law on "opinion work product" because it is litigated less often.

1. Attorney Opinion On Settlement Value. Written estimates or memos documenting discussion of settlement value are not discoverable. *See Pennsylvania v. U.S. Dept. of Health & Human Serv*., 623 F.Supp. 301 (M.D. Pa. 1985).

2. Trial Strategy. Communications with trial counsel regarding trial strategy is clearly not discoverable. *See Pennsylvania v. HHS*, 623 F.Supp. 301 (M.D. Pa. 1985).

IV. CONCLUSION

Case law demonstrates that the deposition of in-house counsel is an increasingly common occurrence. The first offensive course of action should be to preempt troubling issues raised by these depositions by filing a motion to quash or for a protective order. However, not all courts will follow the *Shelton* rule. In these instances, the attorney may be required to attend the deposition and raise objections to individual questions which may be protected by the attorney-client or attorney work product privilege.

ELECTRONIC DISCOVERY DEPOSITIONS

I. NOT NEW TO LITIGATION

Depositions to identify how data is maintained and to determine what hardware and software is needed to access the information are preliminary depositions that are necessary to proceed with substantive discovery. *See, Carbon Dioxide Indus. Antitrust Litigation*, 155 F.R.D. 209 (M.D. Fla. 1993).

II. RULE 30(B)(6) DEPOSITIONS BECOMING MORE COMMONPLACE

In a case alleging bad faith in processing insurance claims, a defendant insurance company objected to the plaintiff's Rule 30(b)(6) deposition request on the subject of the defendant's use of a claims adjustment software program. *See, York v. Hartford Underwriters Ins. Co.,* 2002 WL 31465306 (N.D. Okla. 2002). Rejecting defendant's claims that the software program was confidential and proprietary, the *York* Court ordered the defendant to designate a Rule 30(b)(6) witness to testify regarding its use of the software program and what data was inputted into the software program concerning plaintiff's claims.

III. APPLICATION TO PARENT AND SUBSIDIARY COMPANIES

Courts have compelled Rule 30(b)(6) depositions of parent corporations concerning document and electronic storage and management issues of a wholly-owned subsidiary. *See, In re ATM Fee Antitrust Litigation*, 2005 WL 3299763 (N.D. Cal. 2005). In *ATM Fee*, the defendant parent corporation represented to the Court that one of its wholly-owned subsidiaries (which was not a named party to the lawsuit) would be the best source of the requested electronic information and further argued that the plaintiffs should be forced to subpoena the requested information directly from the subsidiary. The *ATM Fee* Court rejected the defendant parent corporation's argument, stating that since it had access to and control over the wholly-owned subsidiary's information, it would not be unduly burdensome for the defendant parent corporation to respond directly to plaintiffs' information request.

IV. ESSENTIAL FOR SUBSTANTIVE DISCOVERY

In *Alexander v. Federal Bureau of Investigation*, 188 F.R.D. 111 (D.C. 1998), the Court concluded that depositions concerning federal government computer systems were permissible to determine whether deleted emails could be restored. In reaching its conclusion, the *Alexander* Court reasoned that this preliminary deposition testimony may be elicited in order to guide substantive discovery and determine what types of evidence may exist.

ADR AND TRIAL CONSIDERATIONS

I. SETTLEMENT NEGOTIATIONS

A. Post-Settlement Interest

1. The plain language of O.R.C. §1343.03(A) states that money becomes due and payable "upon any settlement between parties." *Hartmann v. Duffey*, 95 Ohio St. 3d 456 (2002). From this language, the date of settlement is the accrual date for interest to begin to run. At the point of settlement, a settlement debt is created, and the plaintiff becomes a creditor entitled to the settlement proceeds. Thus, the plaintiff is entitled to be compensated for the lapse of time between accrual of that right (the date of settlement) and payment, unless otherwise stated in a settlement agreement.

2. Unless expressly contracted for, O.R.C. §1343.03(A) provides that the creditor plaintiff is entitled to interest at the rate per annum determined pursuant to O.R.C. §5703.47. O.R.C. §5703.47 states that the tax commissioner shall determine the federal short term rate on an annual basis. The federal short term rate for the 2007 calendar year is eight percent (8%).

B. Documenting Settlement Agreements

1. It is preferable that a settlement be memorialized in writing. *Morgan v. Hughes*, 2004 Ohio 637 (Ohio Ct. App., 8th Dist. 2004). However, an oral settlement agreement may be enforceable if there is sufficient particularity to form a binding contract.

2. In *Cambodian Buddhist Soc'y v. Ke*, the parties presented an order to the trial court dismissing the action. 2002 Ohio 2766 (Ohio Ct. App., 10th Dist. 2002). The trial court filed an agreed order and entry of dismissal. After a disagreement between the parties and an appeal, the appellate court held that because the entry did not express the trial court's intent to retain jurisdiction, the action terminated once the unconditional dismissal was journalized, thereby preventing the trial court from deciding further proceedings. Because the record did not contain a meeting of the minds on the essential settlement terms, or indicate that the settlement terms were read into the record, the motion to enforce the settlement agreement was denied.

C. Retaining Court Jurisdiction Over Settlement Disputes

A trial court possesses the authority to enforce a settlement agreement voluntarily entered into by the parties. *Elec. Enlightenment, Inc. v. Lallemand*, 2006 Ohio 5731 (Ohio Ct. App., 8th Dist. 2006). A trial court loses jurisdiction when the court has unconditionally dismissed an action. In contrast, when an action is dismissed pursuant to a stated condition, such as the existence of a settlement agreement, the court retains the authority to enforce such an agreement in the event the condition does not occur. The determination of whether a dismissal is unconditional, thus depriving a court of jurisdiction to entertain a motion to enforce a settlement agreement, is dependent upon the terms of the dismissal order.

D. Settlements Gone Bad

Wife was awarded interest and attorney's fees when she had to file a show cause motion to force her husband to comply with the payment terms of their settlement agreement. *Rowe v. Rowe*, 2006 Ohio 1951 (Ohio Ct. App., 8th Dist. 2006). On appeal, the court agreed with the wife and found that the husband did not act in good faith because the payment was not initially made in a timely manner and assurances of reissuance were not forthcoming.

II. TRIAL CONSIDERATIONS

High-Low Agreements For Verdicts: A high-low agreement is an agreement between parties that sets minimum and maximum damages awards. *Bennett v. Pullins*, 2002 Ohio 3560 (Ohio Ct. App., 2nd Dist. 2002). For example, consider an agreement with a low amount of $15,000 and high amount of $200,000. If a party is awarded over $200,000, the party only receives $200,000. If the party is awarded less than $15,000, the party receives $15,000. If the party is awarded an amount between $15,000 and $200,000, the party receives the amount awarded. High-low agreements can also be considered good faith settlement offers.

III. 41(A) DISMISSALS AND SAVINGS STATUTE

A. Ohio Courts

O.R.C. §2305.19 sets forth the provisions of the savings statute. A savings statute affords plaintiffs an opportunity to bring a new action after the running of the original limitations period when an effort to bring the original action in a timely manner fails other than on its merits. *Motorists Mut. Ins. Co. v. Huron Rd. Hosp.*, 73 Ohio St.3d 391 (1995). Pursuant to O.R.C. 2305.19, Ohio has a one year savings statute. It is well-established in Ohio that a savings statute is applicable only if the initial action commenced before the original statute of limitations expired. *Howard v. Allen*, 30 Ohio St.2d 130 (1972). Moreover, a savings statute is not to be used as a method for tolling the statute of limitations. *Motorists Mut. Ins. Co.,* 73 Ohio St.3d at 397.

B. Federal Courts

The Northern District of Ohio held that courts cannot extend the limitations period beyond the period allowed by the savings statute. *Taynor v. GM*, 2004 U.S. Dist. LEXIS 24166 (N.D. Ohio 2004). A plaintiff can only use the savings statute one time. *Id*. This limitation prevents a plaintiff from infinitely re-filing his or her action, which would essentially eliminate the statute of limitations. *Id*.