



Idaho Chapter - Federal Bar Association
12th Annual Tri-State Seminar

October 13 - 15, 2016

Sun Valley Inn Convention Center

Sun Valley, Idaho

Idaho Chapter - Federal Bar Association

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October 13 - 15, 2016 • Sun Valley, Idaho



Agenda

Thursday, October 13, 2016

5:00 – 8:00 p.m.

Welcome Reception

J. Walter Sinclair, Partner, Holland & Hart; President, Idaho Chapter, FBA

Sun Valley Inn Convention Center, Limelight Salon C

Friday, October 14, 2016

8:30 – 9:00 a.m.

Continental Breakfast & Registration

Sun Valley Inn Convention Center, Limelight Salon A

9:00 – 10:30 a.m.

Proportionality and the New Discovery Protocols

Chief District Judge B. Lynn Winmill (Idaho)

Chief District Judge Nancy Freudenthal (Wyoming)

Chief U.S. Magistrate Judge Kelly Rankin (Wyoming)

U.S. Magistrate Judge Evelyn Furse (Utah)

Steven B. Andersen Partner, Andersen Schwartzman Woodard Brailsford (Idaho)

Sun Valley Inn Convention Center, Continental Room

The panelists will hold a discussion of the new discovery protocols, clarify the new definition of the scope of discovery; the importance of applying a proportionality analysis to discovery issues; the impacts of these changes on the duty to preserve evidence; and how they expect to apply the Rule changes. There will be time for Q&A.

10:30 – 11:45 a.m.

Intellectual Property: Football, Music, and Texas – Recent Developments in IP Litigation

Retired Chief Judge Randall R. Rader - U.S. Court of Appeals for the Federal Circuit (Washington, D.C.)

Senior U.S. District Judge Dee Benson (Utah)

Dana Herberholz, Shareholder, Parsons Behle & Latimer (Idaho), Moderator

Teague Donahey, Holland & Hart (Idaho)

Sun Valley Inn Convention Center, Continental Room

Intellectual property continues to be an active and significant area of practice for in-house and outside counsel nationwide. Panelists will discuss a variety of IP hot topics, including the Washington Redskins trademark case and disparaging trade-marks; the effective use of graphics in patent trials; ongoing controversies concerning venue in patent cases; recent case law at the periphery of copyright law; and international IP trends and developments.

11:45 a.m. – 1:00 p.m.

Luncheon and Keynote Presentation

U.S. Magistrate Judge Michael J. Newman, National President, Federal Bar Association

Sun Valley Inn Convention Center, Limelight Salon C

The Keynote Luncheon Speaker will share the challenges facing the judiciary, his vision for the FBA. Judge Newman will talk about the FBA's national civics initiative involving federal judges; and the FBA's outreach efforts to provide assistance to its members, and the legal community through the SOLACE Program (Support of Lawyers/Personnel—All Concerned Encouraged).

Agenda (continued)

1:00 – 2:00 p.m.	Bankruptcy Panel	<p>Chief Bankruptcy Judge Terry L. Myers (Idaho)</p> <p>Chief Bankruptcy Judge Cathleen D. Parker (Wyoming)</p> <p>Bankruptcy Judge Joel Marker (Utah)</p> <p>Larry Prince, Partner, Holland & Hart (Idaho)</p>	<p>Sun Valley Inn Convention Center, Continental Room</p> <p>A panel of distinguished bankruptcy jurists from Idaho, Utah and Wyoming will discuss various hot bankruptcy topics and a variety of bankruptcy issues of interest to both bankruptcy and non-bankruptcy practitioners. Topics will include the impact of recent United States Supreme Court decisions on the ability of a bankruptcy court to enter final judgments, the discharge of student loan debt, consumer and business related matters and appellate issues. Both 9th and 10th Circuit Court bankruptcy issues will be addressed.</p>
2:00 – 3:30 p.m.	Federal Land Management: Conflicts Leading to the Malheur Refuge Occupation (and other Dust-Ups)	<p>U.S. Magistrate Judge Candy Wagahoff Dale (Idaho), Moderator</p> <p>United States Attorney John Huber (Utah)</p> <p>Professor John Freemuth, Boise State University (Idaho)</p> <p>Alan Schroeder, Schroeder & Lezamiz Law Offices, LLP (Idaho)</p>	<p>Sun Valley Inn Convention Center, Continental Room</p> <p>Federal land management has been the source of several recent conflicts and renewed efforts to transfer management to state or private control, including the Bundy Ranch standoff in Nevada, Recapture Canyon in Utah, and the Malheur Refuge Occupation in Oregon. This panel will examine the Hammond case that led to the Malheur Refuge Occupation and the federal land management policies at the center of these conflicts.</p>
3:30 – 5:00 p.m.	Effective & Ethical Trial Behavior	<p>Senior Judge Dale Kimball (Utah)</p> <p>Senior Judge David Sam (Utah)</p> <p>Chief U.S. Magistrate Judge Kelly Rankin (Wyoming)</p> <p>Matthew L. Lalli, Partner, Snell & Wilmer (Utah)</p>	<p>Sun Valley Inn Convention Center, Continental Room</p> <p>The panelists will highlight lawyer behavior during trials that is unethical, questionable, annoying, maddening, and ineffective. The panelists will also suggest lawyer behavior, which is effective and efficient, persuasive, reasonable, ethical, and delightful.</p>
5:00 p.m.	Dinner - On Your Own	<p>Various Locations (Please be sure and make dinner reservations).</p>	

Saturday, October 15, 2016

8:30 – 9:00 a.m.	Continental Breakfast	<p>Sun Valley Inn Convention Center, Continental Room</p>	
9:00 – 10:00 a.m.	Criminal Program	<p>U.S. Magistrate Judge Paul Warner (Utah)</p> <p>Kathy Nester, Federal Defender (Utah)</p> <p>Rafael Gonzalez, First Assistant, U.S. Attorney's Office (Idaho)</p>	<p>Sun Valley Inn Convention Center, Continental Room</p> <p>In 2013, the Justice Department launched a comprehensive review of the criminal justice system in order to identify reforms that would ensure federal laws are enforced more fairly and—in an era of reduced budgets— more efficiently. Among the “Smart on Crime” five goals was bolstering prevention and reentry efforts to deter crime and reduce recidivism. While the aggressive enforcement of federal criminal statutes has its place, we cannot prosecute our way to becoming a safer nation.</p>

Agenda (continued)

10:00 – 11:30 a.m.

Criminal Program (continued)

The United States today has the highest rate of incarceration of any nation in the world, and the nationwide cost to state and federal budgets was \$80 billion in 2010 alone. To be effective, federal efforts must also focus on prevention and reentry and use evidence-based strategies, to curb the disturbing rates of recidivism by those reentering our communities. These efforts include partnerships with all of the stakeholders in the federal criminal justice system: the courts, probation, and the federal defender. Panelists will discuss their experience with specialty and re-entry courts in Idaho and Utah.

Judges' Panel

Moderated by J. Walter Sinclair

Judge Benson
Judge Bush
Judge Dale
Judge Freudenthal
Judge Furse
Judge Kimball
Judge Marker
Judge Nuffer
Judge Parker
Judge Rankin
Judge Sam
Judge Warner
Judge Winmill

Sun Valley Inn Convention Center, Continental Room

The Judges' Panel of the Tri-State conference is one of the most informative and educational for all attendees. We have judges from all three states, both Civil/Criminal and Bankruptcy who are willing to entertain and address pressing and practical issues raised by the attendees, questions relevant to their everyday practice. This is one of the most well attended and beneficial programs in our CLE offering.

Thanks & Appreciation to Our Tri-State Seminar Sponsors!



Proportionality and New Discovery Protocols

Chief District Judge B. Lynn Winmill (Idaho)
Chief District Judge Nancy Freudenthal (Wyoming)
Chief U.S. Magistrate Judge Kelly Rankin (Wyoming)
U.S. Magistrate Judge Evelyn Furse (Utah)
Steven B. Andersen Partner, Andersen Schwartzman Woodard Brailsford (Idaho)

Chief District Judge B. Lynn Winmill

Chief Judge B. Lynn Winmill was appointed a United States District Judge for the District of Idaho by President William J. Clinton on August 14, 1995, and entered duty on August 16, 1995. He graduated from Idaho State University in 1974 and from Harvard Law School in 1977. Upon graduation, he practiced law in Denver, Colorado, from 1977-1979, and in Pocatello, Idaho, from 1979 to 1987. Judge Winmill was then appointed as a district judge for the Sixth Judicial District of the State of Idaho in 1987, and served as Administrative District Judge for the Sixth Judicial District from 1992 to 1995. He served as Chairman of the Idaho Evidence Rules Advisory Committee from 1992 to 1995.

Judge Winmill actively supports legal education, having taught courses in criminal procedure and legal history as an adjunct professor at Idaho State University from 1991 to 1995. He has also served for several years as adjunct faculty for the University of Idaho School of Law, teaching a course in Complex Civil Litigation. Judge Winmill participated in the creation of the Idaho Legal History Society and the Idaho Chapter of the Federal Bar Association. He continues to support both of those programs.

Judge Winmill has been actively involved in judicial education. He has served as a mentor judge at the Federal Judicial Center's training program for new District Judges. He has served as an instructor at judicial education programs on the management of complex litigation, trial practice, general case management and judicial use of technology. He has also been involved in training judges and prosecutors from other countries, including Jordan, Afghanistan, the United Arab Emirates, Thailand, Russia, and Indonesia.

Since July of 1999, Judge Winmill has served as Chief Judge for the District of Idaho. In addition to those duties, Judge Winmill previously served on the Information Technology Committee for the Judicial Conference of the United States, and has also served as Chair of the Ninth Circuit Information Technology Committee. He previously chaired the Ninth Circuit Conference of Chief District Judges, and is a past President of the Ninth Circuit District Judges Association. He currently serves on the Judicial Council of the Ninth Circuit Court of Appeals, and on the national board of the Federal Judges Association.

Chief District Judge Nancy Freudenthal

Nancy Freudenthal was born and raised in Cody, Wyoming and earned both a bachelor's degree and a juris doctorate from the University of Wyoming. From 1980-1989, she served as Attorney for Intergovernmental Affairs under former Wyoming Governors Ed Herschler and Mike Sullivan. Governor Sullivan then appointed her to the State Tax Commission and Board of Equalization in 1989, where she served as Chairman until 1995. In 1995, she joined the law firm of Davis & Cannon and became a partner at the firm a few years later. On June 1, 2010, following her appointment by President Barack Obama and confirmation by the U.S. Senate, Judge Freudenthal was sworn in as U.S. District Court Judge for the District of Wyoming. She is the first woman appointed to the federal bench in Wyoming, and only the seventh federal district judge in the State's history. Judge Freudenthal has been Chief Judge of this District since 2011.





Judge Freudenthal and her husband Dave have lived and raised their four children in Cheyenne, and are the proud grandparents of two beautiful girls, Albany and Emma and three handsome boys, Cody, Pierce and Grayson.

Chief U.S. Magistrate Judge Kelly Rankin

Kelly Rankin is the Chief U.S. Magistrate Judge for the District of Wyoming. Prior to his appointment in 2012 he served in the U.S. Attorney's Office as an assistant, criminal chief, and as the presidentially appointed United States Attorney.

Kelly also served in the Lincoln County Attorney's Office, as the twice elected Park County Attorney, and counsel to former Governor Dave Freudenthal. Kelly also worked in private practice in Cody. He obtained both his undergraduate and law degrees from the University of Wyoming. Kelly lives in Cheyenne, Wyoming with his wife and two boys.



U.S. Magistrate Judge Evelyn J. Furse

Evelyn J. Furse (pronounced Eve-Lynn) is a U.S. Magistrate Judge for the United States District Court for the District of Utah. She was appointed to this position on May 1, 2012, succeeding Judge David Nuffer. She earned her bachelor's degree from the University of North Carolina at Chapel Hill, cum laude, Phi Beta Kappa, and her Juris Doctor from New York University School of Law, cum laude, in 1996.

After graduating from law school, Judge Furse served as a law clerk for Chief Justice Christine M. Durham of the Utah Supreme Court. She then worked as an associate in the Washington, D.C. office of Covington & Burling before returning to Utah, where she took a job with Howrey LLP, eventually becoming a partner in the firm and focusing on complex corporate litigation. In 2006, Judge Furse transitioned her practice to the Salt Lake City Corporation, where she handled civil litigation as a Senior City Attorney. Furse worked in this position until she was appointed to the federal bench.

She is a member of the Local Federal Rules Committee for the District of Utah, the Utah Supreme Court Advisory Committee on the Rules of Civil Procedure, Utah Bar Committee on New Lawyer Training, Fellows of the American Bar Foundation, the David K. Winder and Aldon J. Anderson Inns of Court, Utah Minority Bar Association, Women Lawyers of Utah, Federal Bar Association, and American Bar Association.



Steve Andersen

Steven Andersen graduated from Brigham Young University (BYU) summa cum laude in 1977 with a B.A., and received his J.D. with honors in 1980 from BYU. Mr. Andersen has represented both plaintiffs and defendants as trial counsel in over 100 jury trials throughout Idaho, the Intermountain West, West Coast and Pacific Northwest regions.

Mr. Andersen is a recognized expert in products liability, professional liability, business tort, insurance claims, governmental liability and agriculture. He has represented clients at trial in partnership dissolutions, prosecution and defense of patent infringement claims, product defect cases, royalty disputes, professional liability, insurance bad faith, and engineering and construction disputes. Mr. Andersen is admitted to practice before all state and federal courts for Idaho, the Ninth Circuit Court of Appeals and the Federal Circuit. He has extensive experience in contingent and alternative fee arrangements, general commercial litigation and intellectual property litigation.

Intellectual Property: Football, Music, and Texas – Recent Developments in IP Litigation

Retired Chief Judge Randall R. Rader - U.S. Court of Appeals for the Federal Circuit (Washington, D.C.)

U.S. District Judge Dee Benson (Utah)

Dana Herberholz, Shareholder, Parsons Behle & Latimer (Idaho), Moderator
Teague Donahey, Holland & Hart (Idaho)

Retired Chief Judge Randall R. Rader



Randall R. Rader was appointed to the United States Court of Appeals for the Federal Circuit by President George H. W. Bush in 1990 and assumed the duties of Chief Judge on June 1, 2010. He was appointed to the United States Claims Court (now the U. S. Court of Federal Claims) by President Ronald W. Reagan in 1988. Before appointment to the Court of Federal Claims, former Chief Judge Rader served as Minority and Majority Chief Counsel to Subcommittees of the U.S. Senate Committee on the Judiciary. From 1975 to 1980, he served as Counsel in the House of Representatives for representatives serving on the Interior, Appropriations, and Ways and Means Committees. Judge Rader stepped down from Chief Judge position on May 30, 2014 and retired from the bench on June 30, 2014.

Former Chief Judge Rader's most prized title may well be "Professor Rader." As Professor, Judge Rader has taught courses on patent law and other advanced intellectual property courses at The George Washington University Law School, University of Virginia School of Law, Georgetown University Law Center, the Munich Intellectual Property Law Center, and other university programs in Tokyo, Taipei, New Delhi, and Beijing. He received a B.A. in English from Brigham Young University in 1974 and a J.D. from George Washington University Law School in 1978.

Since leaving the bench, Judge Rader has founded the Rader Group which supplies arbitration, mediation, and legal consulting services. He has also joined the faculty at Tsinghua University in Beijing. He continues to advocate improvements in innovation policy through speaking engagements worldwide.

Senior U.S. District Judge Dee Benson



Dee Benson is a judge on the United States District Court for the District of Utah. He was a member of the charter class of the J. Reuben Clark Law School at Brigham Young University, where he was an editor on the Law Review, and graduated in 1976. That same year he played professional soccer with the Utah Golden Spikers of the American Soccer League.

After graduating from BYU law school, Judge Benson spent approximately 8 years practicing with the Salt Lake City law firm of Snow, Christensen & Martineau. Thereafter, from 1984 through 1989, Judge Benson served in various government posts in Washington, D.C., including: Legal counsel to the United States Senate Judiciary Committee (1984 - 1986); Chief of Staff to United States Senator Orrin Hatch (1986 - 1988); Legal counsel to the Iran-Contra Congressional Investigating Committee (1987); and Principal Associate Deputy Attorney General of the United States (1988 - 1989).

In 1989, Judge Benson returned to Utah as the United States Attorney for the District of Utah. He held this post until 1991 when he was appointed as a United States District Judge by President George H.W. Bush. From 2001 to 2008 he served as Chief Judge of the United States District Court for the District of Utah.

In May 2004, Chief Justice William Rehnquist of the United States Supreme Court appointed Judge Benson to serve a seven-year term as a Judge on the Foreign Intelligence Surveillance Court in Washington, D.C. His term ended in May, 2011. Judge Benson currently serves on the Judicial Branch Committee of the United States.

Judge Benson also holds adjunct law school professorships at the J. Reuben Clark Law School at Brigham Young University and the S.J. Quinney College of Law at the University of Utah, and teaches courses on criminal trial practice and evidence.

Judge Benson has received numerous awards and honors, including Alumni of the Year from SJ Quinney College of Law - University of Utah (2015), BYU law school (1991) and Jordan High School (2003), the Distinguished teaching award from the University of Utah Law School (2002); Distinguished Service Award from the Federal Bar Association (2003) and was honored as Judge of the Year in 2011 by the Utah State Bar.

Dana M. Herberholz



Dana M. Herberholz is a registered patent attorney who focuses his practice on intellectual property litigation, with particular emphasis on patent litigation. Dana maintains a national practice and represents companies in patent disputes in various courts across the United States. His practice spans diverse technology areas including consumer electronics and hardware, computer software, image processing, wireless communication devices, laboratory equipment, medical devices, and internet technologies, among others.

Dana's patent litigation experience includes serving as lead trial counsel and representing clients before the U.S. Court of Appeals for the Federal Circuit. In his most recent patent trial—a competitor case—an Eastern District of Texas jury returned a verdict in favor of Dana's client, finding willful infringement and awarding full lost-profits damages. Dana also has extensive experience defending companies against claims of patent infringement asserted by non-practicing entities.

Dana is active in numerous bar associations and committees and has served as the chair of the Intellectual Property Law Section of the Idaho State Bar. He also serves on various firm committees and is the chair of Parsons Behle & Latimer's Intellectual Property Litigation Practice Group. Dana earned his J.D. from Gonzaga University School of Law and received his B.S. from the University of Washington.

Teague Donahey



Mr. Donahey is Of Counsel in the Intellectual Property Litigation practice in Holland & Hart's Boise office. He has over 15 years of major law firm experience litigating and trying high-stakes intellectual property matters and other complex business disputes on behalf of major corporations in both federal and state courts and before the United States International Trade Commission (ITC). His patent cases have involved a variety of technologies, such as semiconductor design, manufacturing processes, equipment, and packaging; computer hardware and software; and other electronics and telecommunications-related technologies.

Prior to joining Holland & Hart, Mr. Donahey was a partner with Sidley Austin LLP in San Francisco and also worked in the Silicon Valley office of Skjerven Morrill LLP.



U.S. Magistrate Judge Michael J. Newman

Magistrate Judge Michael Newman, appointed in 2011, serves on the editorial board of both TFL and the Federal Courts Law Review, and was the Judicial Profiles Editor of TFL for more than ten years. He chaired the Federal Bar Association's national Magistrate Judge Task Force, and was recognized thereafter by the Federal Magistrate Judges Association for "valuable and dedicated service to all Magistrate Judges." In 2014, the FBA presented him with a President's Award for "leadership [and] extraordinary service, commitment and guidance."

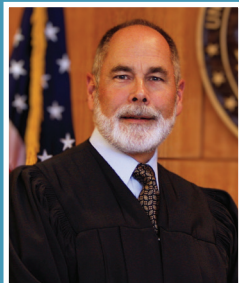
Judge Newman attended the Advanced Mediation Program at Harvard Law School and is frequently called upon to mediate complex federal disputes. He was a mediator and arbitrator while in private practice.

He is a Master in Dayton's Carl D. Kessler Inn of Court and Cincinnati's Potter Stewart Inn of Court, and was named a Fellow by both the Dayton Bar Association Foundation and the Federal Bar Association Foundation. He has taught as an Adjunct Professor at the University of Dayton School of Law, the University of Cincinnati College of Law, and the Chase College of Law at Northern Kentucky University. He served as statewide chair of the Ohio State Bar Association's Federal Courts & Practice Committee, on the Cincinnati Bar Association Board of Trustees, and chaired the Dayton Bar Association's Federal Practice Committee. He co-chaired the DBA's 20th Annual Bench-Bar Conference and Bench-Bar Media Forum, and chaired the Sixth Biennial Federal Bench-Bar Conference for the Northern & Southern Districts of Ohio. His Federal Bar Association volunteer efforts are extensive, and include service as president of both the Cincinnati and Dayton chapters, as a Sixth Circuit Vice President, and election to the national Board of Directors. During his tenure, Dayton was named a Chapter of the Year and received the Shaw Public Service Award for outreach to younger lawyers. He will be the FBA's national president in 2016-17.

Judge Newman is a mentor to many and is known for his diversity and inclusion efforts. He has been recognized by the Black Lawyers Association of Cincinnati (BLAC) and the Summer Work Experience in Law program (SWEL), and sits on the statewide board of directors for the Law & Leadership Institute (LLI). He was a mentor in the Supreme Court of Ohio's mentoring program. In 2014, he chaired the national essay contest, What a Fair and Impartial Federal Judiciary Means to Me and to the United States, sponsored by the Federal Bar Association and the Federal Judges Association.

Judge Newman is involved in a wide array of community activities and access-to-justice efforts. In 2010, he was honored to receive the Boots Fisher Public Service Award, given annually to one lawyer in the United States for "exemplary community, public and charitable service."

Judge Newman graduated with honors from the Washington College of Law at American University, and attended New York University as an undergraduate.



Chief Bankruptcy Judge Terry L. Myers (Idaho)
Chief Bankruptcy Judge Cathleen D. Parker (Wyoming)
Bankruptcy Judge Joel Marker (Utah)
Larry Prince, Partner, Holland & Hart (Idaho)

Chief Bankruptcy Judge Terry L. Myers

Judge Terry Myers was appointed to his first term as a United States Bankruptcy Judge by the Ninth Circuit Court of Appeals, commencing service on August 1, 1998. He began his second, 14-year term as a United States Bankruptcy Judge on August 1, 2012.

In 2004, Judge Myers was elevated to Chief Bankruptcy Judge for the District of Idaho. Since that time, he has been a member of the Conference of Chief Bankruptcy Judges for the Ninth Circuit, having served as Chair of the Conference in 2010-2011.

Judge Myers graduated from Idaho State University in 1976 and from the University of Idaho College of Law in 1980. He served as a law clerk to Justice Joseph J. McFadden of the Idaho Supreme Court, and to U. S. Bankruptcy Judge Merlin S. Young.

From 1984 to 1998, Judge Myers had a diversified commercial litigation and bankruptcy law practice with a Boise, Idaho law firm representing creditors, debtors, trustees and others. He is member of the American Bankruptcy Institute and the National Conference of Bankruptcy Judges, and a member and past-chairman of the Commercial Law and Bankruptcy Section of the Idaho State Bar. Judge Myers has also served as an adjunct professor since 2010, co-teaching a bankruptcy course for the University of Idaho College of Law.

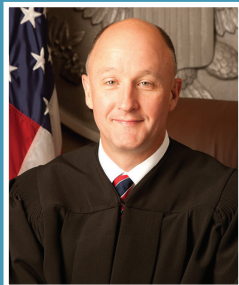
Chief Bankruptcy Judge Cathleen (Casey) Parker



Judge Cathleen (Casey) Parker was sworn in as Chief Bankruptcy Judge of the United States Bankruptcy Court for the District of Wyoming in June 2015. Prior to her appointment, she was an attorney with the Wyoming Attorney General's Office for 16 years. She primarily represented the Wyoming Departments of Revenue and Audit in front of administrative tribunals, the Wyoming State Courts, and the Wyoming Supreme Court. At the time of her appointment, she was the supervisor of the Revenue Section of the Civil Division and was the head of the Attorney General's Bankruptcy Unit.

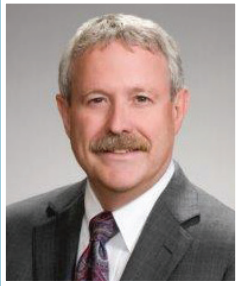
Prior to joining the Office of the Attorney General, Judge Parker worked as an attorney in private practice in Colorado handling both civil and criminal matters. She attended the University of Wyoming School of Law and received her J.D. in 1998. She was a recipient of the ABI Medal of Excellence.

Bankruptcy Judge Joel T. Marker



Joel Marker was sworn in as a bankruptcy judge for the district of Utah on July 1, 2010. Judge Marker is a 1984 graduate of the University of Utah College of Law. A native of La Crosse, Wisconsin, he earned his undergraduate degree from the University of Wisconsin in 1979.

Prior to his appointment he practiced with the Salt Lake City law firm McKay Burton and Thurman for over 25 years, during which he served as Chair of the Bankruptcy Section of the Utah State Bar, President of the Utah Bankruptcy Lawyers Forum, and served on the board of trustees of Catholic Community Services of Utah. He was a member of the panel of chapter 7 trustees in the District of Utah from 1997 to 2010 and also represented individuals and businesses in a variety of proceedings before the state and federal courts.



Larry Prince

Larry Prince is a partner in the firm of Holland & Hart LLP. His primary focus is the representation of creditors in chapter 11 bankruptcy proceedings. He also represents creditors in complex credit transactions and in business litigation.

Mr. Prince is an Idaho native. He received his Bachelor of Arts degree from Boise State and his law degree from the University of California, Hastings College of Law. Mr. Prince was admitted to the Idaho State Bar in 1975 and is also admitted to practice in the federal courts for the Eastern District of Washington, as well as the Washington state courts.

Mr. Prince was a co-founder and first chair of what is now the Commercial Law & Bankruptcy Section of the Idaho State Bar and, approximately 14 years after that, he served a second term as the Section's chair. Mr. Prince was also a member of the Local Rules Committee for the United States Bankruptcy Court for the District of Idaho for 16 years and was its chair for 13 years. He is currently the Treasurer of the Idaho Chapter, Federal Bar Association.

Mr. Prince is a Fellow in the American College of Bankruptcy and has, on multiple occasions, been recognized in Chambers USA as a Star Individual; The Best Lawyers in America©, including recognition as Lawyer of the Year, Bankruptcy and Creditor Debtor Rights-Insolvency Law; and in Mountain States Super Lawyers®.

Federal Land Management: Conflicts Leading to the Malheur Refuge Occupation (and other Dust-Ups)

U.S. Magistrate Judge Candy Wagahoff Dale (Idaho), Moderator
United States Attorney John Huber (Utah)
Professor John Freemuth, Boise State University (Idaho)
Alan Schroeder, Schroeder & Lezamiz Law Offices, LLP (Idaho)

U.S. Magistrate Judge Candy Dale



Judge Candy Wagahoff Dale began her appointment as United States Magistrate Judge on March 30, 2008, and served as Chief Magistrate Judge from October of 2008 through September of 2015. Among her other duties, she is the supervisor of the Prisoner Litigation Unit and Chair of the Local Civil Rules Advisory Committee. She is a member of the Jury Trial Improvement Committee for the Ninth Circuit and a past Chair of the Magistrate Judges Executive Board for the Ninth Circuit.

Judge Dale is a judge liaison of the Governing Board of the Idaho Chapter of the Federal Bar Association and a member of the Executive Board of the Idaho Legal History Society. She is an Emeritus member of the American Inn of Court No. 130, where she previously served as President; an Emeritus member of the Advisory Council for the University of Idaho College of Law; and the immediate Past Chair of the Board of Trustees of the College of Idaho.

Judge Dale received the 2016 Faculty Award of Legal Merit from the University of Idaho College of Law, the 2014 Justice for All Award from the Diversity Section of the Idaho State Bar, and the 2010 Kate Feltham Award from the Idaho Women Lawyers.

A native of Boise, Judge Dale obtained a Bachelor of Science degree, with honors and as a Gipson Scholar, from the College of Idaho in 1979, and a Juris Doctorate from the University of Idaho College of Law in 1982, where she served as Editor-in-Chief of the Idaho Law Review. Before her appointment to the federal bench, she was a trial lawyer for over 25 years in Idaho and a member of numerous professional and community organizations.

U.S. Attorney John W. Huber



John W. Huber was nominated by President Barack Obama in February 2015 and confirmed by the United States Senate in June 2015 as United States Attorney for Utah. With the four-year appointment, he serves as the lead federal law enforcement official in Utah.

After graduating with honors from the University of Utah, Mr. Huber went on to complete his juris doctor degree at the University of Utah's S.J. Quinney College of Law. He began his prosecution career in the Weber County Attorney's Office, and later served as the Chief Prosecutor for West Valley City before joining the ranks of federal prosecutors in the United States Attorney's Office in 2002. Mr. Huber is a veteran public servant who has served as a prosecutor at every trial court level in the State of Utah, where he is a life-long resident.

Prior to confirmation as the United States Attorney, Mr. Huber prosecuted a number of high profile federal cases and coordinated task forces that focused on violent crime and counter-terrorism, where he earned recognition from the highest levels of the United States Department of Justice. In 2004, Attorney General John Ashcroft recognized Mr. Huber for his ability to form and maintain community partnerships in fighting violent crime, and in 2010 Attorney General Eric Holder honored Mr. Huber for his superior performance as a federal prosecutor. He served as chief of

the National Security Section in the U.S. Attorney's Office before being asked to serve as the Executive Assistant U.S. Attorney, a member of the office's executive management team.

During his tenure as United States Attorney, Mr. Huber's priorities include law enforcement productivity and crime prevention. He is also leading office efforts to sponsor and build innovative justice models designed to reduce offender recidivism. Recognizing his commitment and leadership as a career public servant, the United States Attorney General has appointed Mr. Huber to serve on the Attorney General's Advisory Committee. He will co-chair the AGAC's Terrorism and National Security Subcommittee. With his extensive experience prosecuting terrorism and national security cases, Mr. Huber has also been appointed to chair the Domestic Terrorism Executive Committee and Working Group.

John Freemuth



John Freemuth is Professor of Public Policy, Boise State University. His primary academic interest is with the public lands of the United States. Currently his work gravitates towards puzzling out the relationship between science and public policy as it relates to issues surrounding the public lands. He wrote "Thoughts on the Role of Science in Public Policy Making" in Ecology and Conservation of Greater Sage-Grouse: A Landscape Species and Its Habitats (University of California Press, 2011). He just published his and Zachary Smith's Environmental Politics and Policy in the West (UC Boulder,). He chaired the Science Advisory Board of the Bureau of Land Management, after being appointed by Interior Secretary Bruce Babbitt. He was the Senior Fellow at the Cecil Andrus Center for Public Policy from 1998-2011, and returned as Senior Fellow for Environment and Public Lands in February, 2015. He is principal investigator on a grant from the United States Geological Survey working on improving the policy utility of GAP Analysis, Species Modelling and Protected Area data. He and the Andrus Center are also working on a grant from the Bureau of Land Management on policy issues surrounding sage grouse and wildland fire. He has also been a high school teacher, and seasonal park ranger. While a ranger, long ago, at Glen Canyon National Recreation Area he wrote "Wanderer for Beauty: Everett Ruess in the Glen Canyon Area", a park interpretive handout and is glad Everett has yet to be found. He has a BA from Pomona College and a Ph.D. from Colorado State University. He was named the Carnegie Foundation for the Advancement of Teaching /CAES of Professor of the Year for Idaho for 2001.

W. Alan Schroeder



W. Alan Schroeder joined *Schroeder & Lezamiz Law Offices, LLP* in 1990; previously practicing law in Western Washington since 1986.

Mr. Schroeder provides legal services to individuals, families, farmers, ranchers, businesses, non-profit organizations, cities, and counties. He is specifically dedicated to helping clients with legal matters regarding Public Lands; National Forest System Lands; BLM and USFS Grazing Permits; Federal Land Use Permits; BLM, USFS, USFWS permitting and compliance; ESA compliance; Road and Ditch/Pipeline Rights-of-Way across Federal Land; Mining Claims; Federal Land Exchanges & Purchases; including any associated Civil and Criminal Litigation. He received in 2000 and maintains an AV® Distinguished Peer Review Rating by Martindale-Hubbell®.

Mr. Schroeder is licensed to practice law in Idaho and in Washington, as well as authorized to practice law before U.S. Department of the Interior by rule. He is additionally admitted to practice before the federal and bankruptcy courts in Idaho and before the 8th, 9th, 10th, & Federal Circuit of the U.S. Courts of Appeals, as well as U.S. Court of Federal Claims. He is also admitted to the U.S. Supreme Court.

He has appeared via Pro Hac Vice before various U.S. District Courts in California, Nevada, Oregon, Utah, and Wyoming.

He is married to Diane Schroeder. They have two adult children; their daughter is an actress/dancer in Los Angeles, and their son is on a Wildland Fire Helitack Crew with the USFS. Mr. Schroeder enjoys swimming, biking and running, as well as water skiing and snow skiing. He is a frequent participant in various types of triathlons.



Effective & Ethical Trial Behavior

Senior Judge Dale Kimball (Utah)
Senior Judge David Sam (Utah)
Chief U.S. Magistrate Judge Kelly Rankin (Wyoming)
Matthew L. Lalli, Partner, Snell & Wilmer (Utah)

Senior Judge Dale A. Kimball

Dale A. Kimball was sworn in as a United States District Court Judge for the District of Utah on November 24, 1997. Judge Kimball grew up on a dairy farm in Draper, Utah. In 1964, he graduated magna cum laude from Brigham Young University with a Bachelor of Science in Political Science. In 1967, he received his Juris Doctor from the University of Utah College of Law, graduating Order of the Coif.

Judge Kimball practiced law at Van Cott, Bagley, Cornwall & McCarthy in Salt Lake City, Utah until 1974 when he became a full-time law professor at BYU's J. Reuben Clark Law School. In his second year as a full-time professor, Judge Kimball co-founded the law firm formerly known as Kimball, Parr, Waddoups, Brown & Gee. The firm is now known as Parr, Brown, Gee & Loveless. Judge Kimball continued to teach part-time at BYU from 1976 to 1980. From 1975 until his appointment as a United States District Judge in 1997, Judge Kimball maintained a full-time legal practice, primarily in commercial litigation.

In 1996, the Utah State Bar named Judge Kimball the "Distinguished Lawyer of the Year." After twelve years as a full-time federal district court judge, Judge Kimball took senior status on November 30, 2009, but maintained a full case load until November 30, 2010. Judge Kimball currently maintains a sixty percent case load and has resumed teaching part-time at BYU's J. Reuben Clark Law School. In 2010, Judge Kimball was honored by the Federal Bar Association, Salt Lake Chapter, as the "Judge of the Year."

Senior Judge David Sam

David Sam was born August 12, 1933 in Hobart, Indiana, the youngest of 11 children of immigrant parents.

After graduation from the University of Utah College of Law in 1960, he served in the U.S. Air Force Judge Advocate's office until 1963, achieving the rank of Captain.

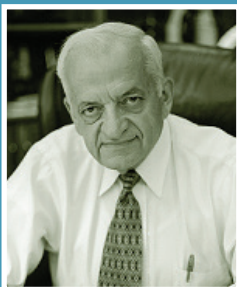
Judge Sam began his law practice in Duchesne, Utah. He served as County Attorney, County Commissioner, City Attorney, was a member of the Duchesne County Hospital Board, Utah State University Advisory Board for the Uintah Basin and the State Board of Water Resources.

In 1976 he was appointed by Governor Calvin Rampton to Utah's Fourth Judicial District Bench. During his tenure he served as Presiding Judge, President of the District Judges Association, and Chairman of the 1982 State Judicial Conference.

Judge Sam was appointed a United States District Judge for the District of Utah by President Reagan on August 2, 1985, and was sworn in on November 1, 1985. He served as Chief Judge and is currently a Senior Judge.

Chief U.S. Magistrate Judge Kelly Rankin

(Bio information listed under Session I)





Matthew L. Lalli

Matthew L. Lalli is a partner at Snell & Wilmer LLP, practicing primarily out of its Salt Lake City office. He is a graduate of the University of Utah with bachelor degrees in English and Philosophy, cum laude, and of the J. Reuben Clark Law School at Brigham Young University, magna cum laude. Matt began his practice with Latham & Watkins in 1988, where he worked until 1996 in both the San Diego and San Francisco, California offices. He joined Snell & Wilmer in 1996.

Matt is a trial and litigation attorney who has tried dozens of cases in courts and arbitration tribunals in Utah, California, and throughout the United States. He has a general commercial litigation practice, with experience in securities and business fraud defense, corporate and partnership disputes, professional liability defense, real estate disputes, and insurance matters. Matt has received professional recognition and awards from a number of publications, including Chambers USA: America's Leading Lawyers for Business, Litigation: General Commercial (2007-2016); The Best Lawyers in America, including Lawyer of the Year, Legal Malpractice Law – Defendants (2015); Super Lawyers; Mountain States Super Lawyers (2007-2016); and Utah Legal Elite (2009-2016).

For nearly 20 years, Matt also has been a member of Snell & Wilmer's ethics committee and loss prevention counsel to the firm. He has served as a member of the Utah State Bar's ethics screening panel and is a regular speaker and presenter on trial practice, ethics, and malpractice issues.

Criminal Program

U.S. Magistrate Judge Paul Michael Warner (Utah)
Kathy Nester, Federal Defender (Utah)
Rafael Gonzalez, First Assistant, U.S. Attorney's Office (Idaho)

U.S. Magistrate Judge Paul Michael Warner

Paul Michael Warner is a United States Magistrate Judge for the District of Utah. He was appointed on February 19, 2006. He received his Bachelor of Arts degree in English from Brigham Young University in 1973. He graduated in the Charter Class of the J. Reuben Clark Law School at BYU in 1976. In 1984, he received a Masters degree in Public Administration from the Marriott School of Management at BYU.

Judge Warner served as a trial lawyer in the Judge Advocate General Corps of the United States Navy following graduation from law school. Thereafter, he worked in the Utah Attorney General's office where he served as Chief of the Litigation Division, and later as Associate Chief Deputy to the Attorney General. In 1989, he joined the United States Attorney's Office for the District of Utah where he served as First Assistant United States Attorney, interim United States Attorney, and Chief of the Criminal Division. Judge Warner was appointed United States Attorney for the District of Utah on July 29, 1998, by President Bill Clinton. He was retained and reappointed by President George W. Bush, and again confirmed by the U.S. Senate for a second term 4-year term on August 1, 2003. After almost eight years of service, Judge Warner resigned as United States Attorney in February 2006 when he was appointed to the federal bench in Utah. Judge Warner also served as a Colonel in the Judge Advocate General Branch of the Utah Army National Guard. He is a past president of the Utah National Guard Association. He retired in September 2006 as the State Staff Judge Advocate, after 31 years of commissioned service. In 2010, he created the first federal veteran's treatment court in the nation.

Kathryn N. Nester

Kathy earned both her undergraduate and J.D. degrees from the University of Texas. Before her appointment to her current position of Federal Public Defender for the District of Utah in August of 2011, Kathy held the position of Assistant Federal Public Defender for the Southern District of Mississippi for six years. Prior to that, Kathy was a trial lawyer in private practice in the Jackson, Mississippi area for thirteen years and represented plaintiffs in personal injury and civil rights cases and federal and state criminal defendants. She has handled over fifty jury trials including capital murder, complex fraud and wrongful death cases and was awarded Mississippi Trial Lawyer of the Year in 2001. She has appeared numerous times before the Fifth and Tenth Circuit Courts of Appeals for panel and en banc arguments and, in 2014, she appeared before the United States Supreme Court as co-counsel in USA v. Kevin Loughrin. As Federal Public Defender for the District of Utah, Kathy supervises over 45 employees while continuing to handle complex cases and serving on multiple court committees.

Kathy is a frequent speaker at local and national training seminars and has appeared in national and international media in several of her high profile cases. In 2010 she was inducted as a Fellow of the American College of Trial Lawyers. In 2013, Kathy was recognized as one of the Top Lawyers in Utah. In 2015, she was inducted as a fellow of the International Society of Barristers. Kathy currently serves as representative for the Federal Public Defenders on the U.S. Deputy Attorney General's Reentry Roundtable Committee and on the national Clemency Project 2014 Steering Committee. Kathy and her husband Steven have been married for 25 years and they have two daughters, Katie (20) and Caroline (18).





Rafael Gonzalez

Rafael Gonzalez graduated from Wayne State University in Detroit, Michigan in 1977 with a B.A., and received his J.D. from Michigan State University, James Madison College, East Lansing, Michigan in 1983. Mr. Gonzalez is the First Assistant United States Attorney in Idaho since August 2010, serving under United States Attorney Wendy J. Olson. He is the Re-entry, Ethics and FOIA Coordinator, and serves as the District Office Security Manager.

Mr. Gonzalez is a current member of the Executive Office of U.S. Attorneys: Evaluation and Review Staff Evaluator, and Team Member on 20 teams as of February 2016. He serves on the Criminal Chiefs Working Group, Attorney General's Sentencing and Corrections Working Group: Racial and Ethnic Disparity Issue Team, as well as many other working groups, and is an instructor at the National Advocacy Center. Mr. Gonzalez is the Vice-President of the Idaho Chapter of the Federal Bar Association.

Saturday, October 15th - Session II - Judges' Panel

Moderated by J. Walter Sinclair

Judge Benson

Judge Bush

Judge Dale

Judge Freudenthal

Judge Furse

Judge Kimball

Judge Marker

Judge Nuffer

Judge Parker

Judge Rankin

Judge Sam

Judge Warner

Judge Winmill

(Biographies not previously listed appear below)

Chief U.S. District Judge David Nuffer



Judge David Nuffer was appointed as a United States District Judge in the District of Utah on March 23, 2012 and became Chief Judge on September 1, 2014. From 1995 - 2003, he was a part time United States Magistrate Judge, part time lawyer and was appointed as a full time magistrate judge January 17, 2003. He serves on the Federal Judicial Center Executive Education Advisory Committee and for fifteen years taught at Brigham Young University's J. Reuben Clark Law School.

After graduating from the J. Reuben Clark Law School at Brigham Young University he practiced law 25 years in St. George Utah. While in private practice, he was a managing partner with a law firm that grew from 2 lawyers to 25 and taught law office management at the law school. During his years as a lawyer, he was a member and Chair of the Utah Judicial Conduct Commission and a commissioner and president of the Utah State Bar.

He is a frequent lecturer on technology and legal issues; for several years taught an automation orientation course to all new federal magistrate judges two times a year in San Antonio, Texas; and developed national technology related curriculum for magistrate judges. Judge Nuffer was co-developer of Chambers Online Automation Training, a 40 lesson course in computer skills for judges and chambers staff. He maintains a web page of court-related technology resources along with a TechNews for Judges' blog on the U.S. Courts intranet.

International activities include presentations to judges, lawyers and law students in Brazil and Czech Republic and Rule of Law work in Abu Dhabi, Bahrain, Sharjah, Egypt, and Ukraine, as well as regularly hosting judge visits from many countries. He taught lawyers from Iran in Antalya and Istanbul, Turkey and participated in a legal education seminar in Izmir Turkey. He taught law professors and law students in Ukraine with the Leavitt Institute and was co-editor of the Leavitt Institute curriculum "Foundations of a Free Society," a course emphasizing ethics, citizenship and the practice of democracy.

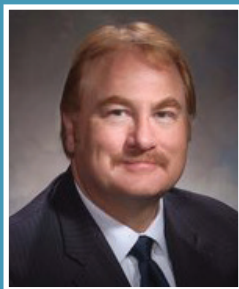
Senior U.S. District Judge Tena Campbell



Tena Campbell is a United States District Judge, appointed to the United States District Court of the District of Utah on July 10, 1995 by President William Jefferson Clinton. She was the first female district judge appointed to the federal bench, and served as Chief Judge beginning in 2007.

Judge Campbell received her B.A. from the University of Idaho in 1967 BA; and her M.A. from Arizona State in 1970 with a major in French. She also attended the Institute of European Studies in Paris, France. She received her J.D. from Arizona State in 1976.

Prior to joining the federal bench, she was an Associate at Johnson, Durham & Moxley in Salt Lake City, Utah and an Associate at Fabian & Clendenin also in Salt Lake City. Judge Campbell served as Deputy County Attorney in the Salt Lake County Attorney's Office, and was an Assistant United States Attorney from 1981 to 1995, when she received her appointment to the bench.



Chief U.S. Magistrate Judge Ronald E. Bush

Judge Ronald E. Bush began service as a United States Magistrate Judge on October 1, 2008, and appointed Chief Magistrate Judge in October of 2015. Previously, he served as a state District Judge in the Sixth Judicial District, and prior to that he practiced law for 20 years in both the Pocatello and Boise offices of the law firm of Hawley Troxell Ennis & Hawley, LLP.

Judge Bush is an honors graduate of the University of Idaho, and received his Juris Doctor degree from George Washington University. In his career as a practicing lawyer, he authored or co-authored numerous articles on Idaho civil litigation, Idaho tort law, and Idaho media law.

Judge Bush served as a Lawyer Representative to the United States District Court for the District of Idaho and to the Ninth Circuit Court of Appeals. He was an organizer and the first president of American Inn of Court No. 130, in Boise, Idaho. He was a member of the governing board of the Federal Public Defender Program for Eastern Washington and Idaho. He received awards for his legal and community service from the Idaho State Bar Association, the Idaho Press Club, the Bannock Health Care Foundation, and the Southeastern Idaho United Way.

As a fifth-generation Idahoan, Judge Bush enjoyed his work as a former member and chairman of the Idaho State Historical Society Board of Trustees. He was an organizer and first president of the Idaho Legal History Society, and continues on its board. He is a past member of the Boise Philharmonic Master Chorale.

J. Walter Sinclair



J. Walter Sinclair graduated from Stanford with a B.A. in Economics, and received his J.D. from the University of Idaho Law School. He is a trial lawyer with extensive bench and jury trial experience, having handled over 30 jury trials and 11 bench trials and multiple appeals to the Idaho Supreme Court and the U.S. Court of Appeals for the Ninth Circuit. He has practiced in courts throughout the United States including trying a case in Phoenix Arizona and defending mass tort actions in Detroit, Michigan and The Bronx, New York.

Mr. Sinclair provides clients the perspective of an experienced trial lawyer in a wide range of high risk, complex disputes. He has developed a well-seasoned trial practice with an emphasis on business, corporate, and complex litigation matters associated with agricultural product liability, antitrust, class action, complex commercial contract disputes, mass tort, product liability, and securities litigation.

In addition to serving on many boards and committees, he is the President of the Idaho Shakespeare Festival; Ninth Circuit Lawyer Representative for the U.S. District and Bankruptcy Court (2012 to 2015); he is currently the President of the Idaho Chapter, Federal Bar Association.

NOTES



Lined area for taking notes, consisting of horizontal lines.

Forms for Uniform Instructions and Definitions for Use in Discovery Requests

These Forms relate to Interrogatories and Requests for Production of Documents. Parties may use any instructions, definitions, or rules of construction that are consistent with the Federal Rules of Civil Procedure. The Forms may not be appropriate in certain cases and Rule 26(g) requires the exercise of independent professional judgment in propounding discovery. The use of these Forms is purely and wholly optional. If they are used, the Court may consider them presumptively proper and a party objecting to them will have the burden of demonstrating that they are not proper.

The Forms are not intended to broaden or narrow the scope of discovery permitted by the Federal Rules of Civil Procedure.

The Instructions and Definitions of the Guidelines may be incorporated into a party's Interrogatories or Request for Production of Documents by the following statement: "The Uniform Instructions and Definitions for Use in Discovery Requests are incorporated herein." If this statement, or a substantially similar statement, is placed in the party's Interrogatories or Request for Production of Documents, the Court will deem the Instructions and Definitions of these Guidelines to be incorporated by reference therein. If a specific discovery request is incorporated without modification into a party's Interrogatories or Request for Production of Documents, the request should state "(Standard Interrogatory No.)" or "(Standard Document Request No. _____)."

Standard Interrogatories

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF WYOMING

_____,
Plaintiff

v.

Civil Action No.: _____

_____,
Defendant

INTERROGATORIES

Pursuant to Fed. R. Civ. P. 33, _____, by its undersigned attorneys, propounds these Interrogatories, to which _____ shall respond separately and fully, in writing and under oath, within the time prescribed by the Federal Rules of Civil Procedure, in accordance with the Instructions and Definitions set forth hereinafter.

INSTRUCTIONS

1. These instructions and definitions should be construed to require answers based upon the knowledge of, and information available to, the responding party as well as its agents, representatives, and, unless privileged, attorneys. It is intended that the following discovery requests will not solicit any information protected either by the attorney/client privilege or work product doctrine which was created or developed by, counsel for the responding party after the date on which this litigation was commenced. If any inquiry is susceptible of a construction which calls for the production of such information, that material need not be provided and no privilege log pursuant to Fed. R. Civ. P. 26(b)(5) will be required as to such information.

2. These Interrogatories are continuing in character, so as to require that supplemental answers be filed seasonably if further or different information is obtained with respect to any interrogatory.
3. No part of an interrogatory should be left unanswered merely because an objection is interposed to another part of the interrogatory. If a partial or incomplete answer is provided, the responding party shall state that the answer is partial or incomplete.
4. In accordance with Fed. R. Civ. P. 26(b)(5), where a claim of privilege is asserted in objecting to any interrogatory or part thereof, and information is not provided on the basis of such assertion:
5. In asserting the privilege, the responding party shall, in the objection to the interrogatory, or part thereof, identify with specificity the nature of the privilege (including work product) that is being claimed.
6. The following information should be provided in the objection, if known or reasonably available, unless divulging such information would cause disclosure of the allegedly privileged information:
 - a. For oral communications:
 - i. the name of the person making the communication and the names of persons present while the communication was made, and, where not apparent, the relationship of the persons present to the person making the communication;
 - ii. the date and place of the communication; and
 - iii. the general subject matter of the communication.

- b. For documents:
- i. the type of document,
 - ii. the general subject matter of the document,
 - iii. the date of the document, and
 - iv. such other information as is sufficient to identify the document, including, where appropriate, the author, addressee, custodian, and any other recipient of the document and, where not apparent, the relationship of the author, addressee, custodian, and any other recipient to each other.
7. If the responding party elects to specify and produce business records in answer to any interrogatory, the specification shall be in sufficient detail to permit the interrogating party to locate and identify, as readily as the responding party can, the business records from which the answer may be ascertained.
8. If, in answering these Interrogatories, the responding party encounters any ambiguities when construing a question, instruction, or definition, the responding party's answer shall set forth the matter deemed ambiguous and the construction used in answering.

DEFINITIONS

Notwithstanding any definition below, each word, term, or phrase used in these Interrogatories is intended to have the broadest meaning permitted under the Federal Rules of Civil Procedure.

1. *Concerning*: The term "concerning" means relating to, referring to,

describing, evidencing, or constituting.

2. *Communication*: The term “communication” means the transmittal of information by any means.
3. *Document*: The terms “document” and “documents” are defined to be synonymous in meaning and equal in scope to the term “items” in Fed. R. Civ. P. 34(a)(1) and include(s), but is not limited to, electronically stored information. The terms “writings,” “recordings,” and “photographs” are defined to be synonymous in meaning and equal in scope to the usage of those terms in Fed. R. Evid. 1001. A draft or non-identical copy is a separate document within the meaning of the term “document.”
4. *Identify (with respect to persons)*: When referring to a person, to “identify” means to state the person’s full name, present or last known address, and, when referring to a natural person, the present or last known place of employment. If the business and home telephone numbers are known to the answering party, and if the person is not a party or present employee of a party, said telephone numbers shall be provided. Once a person has been identified in accordance with this subparagraph, only the name of the person need be listed in response to subsequent discovery requesting the identification of that person.
5. *Identify (with respect to documents)*: When referring to documents, to “identify” means to state the: (i) type of document; (ii) general subject matter; (iii) date of the document; and, (iv) author(s), addressee(s), and recipient(s) or, alternatively, to produce the document.

6. *Occurrence/Transaction*: The terms “occurrence” and “transaction” mean the events described in the Complaint and other pleadings, as the word “pleadings” is defined in Fed. R. Civ. P. 7(a).
7. *Parties*: The terms “plaintiff” and “defendant” (including, without limitation, third- party plaintiff, third-party defendant, counter claimant, cross-claimant, counter-defendant, and cross-defendant), as well as a party’s full or abbreviated name or a pronoun referring to a party, mean that party and, where applicable, its officers, directors, and employees. This definition is not intended to impose a discovery obligation on any person who is not a party to the litigation or to limit the Court’s jurisdiction to enter any appropriate order.
8. *Person*: The term “person” is defined as any natural person or any business, legal or governmental entity or association.
9. *You/Your*: The terms “you” or “your” include the person(s) to whom these requests are addressed, and all of that person’s agents, representatives, and attorneys.
10. The present tense includes the past and future tenses. The singular includes the plural, and the plural includes the singular. “All” means “any and all;” “any” means “any and all.” “Including” means “including but not limited to.” “And” and “or” encompass both “and” and “or.” Words in the masculine, feminine, or neuter form shall include each of the other genders.

STANDARD INTERROGATORIES TO A PLAINTIFF

STANDARD INTERROGATORY NO. 1: Identify all persons who are likely to have personal knowledge of any fact alleged in the pleadings, and state the subject matter of the

personal knowledge possessed by each such person.

STANDARD INTERROGATORY NO. 2: Identify all persons who have a subrogation interest in any claim set forth in the complaint, and state the basis and extent of such interest.

STANDARD INTERROGATORY NO. 3: Itemize and show how you calculate any damages claimed by you in this action, whether economic, non-economic, punitive, or other.

STANDARD INTERROGATORIES TO A DEFENDANT

STANDARD INTERROGATORY NO. 4: If you contend that the Defendant is improperly identified, state Defendant's correct identification.

STANDARD INTERROGATORY NO. 5: Identify any persons or entities whom Defendant contends are persons needed for just adjudication within the meaning of Fed. R. Civ. P. 19, but who have not been named by Plaintiff.

STANDARD INTERROGATORY NO. 6: Identify all persons who are likely to have personal knowledge of any fact alleged in the complaint or in your answer to the complaint, and state the subject matter of the personal knowledge possessed by each such person.

STANDARD INTERROGATORY NO. 7: If you have knowledge of any person carrying on an insurance business that might be liable to satisfy part or all of a judgment that might be entered in this action or to indemnify or reimburse the payments made to satisfy the judgment, identify that person and state the applicable policy limits of any insurance agreement under which the person might be liable.

STANDARD INTERROGATORIES TO ANY PARTY

STANDARD INTERROGATORY NO. 8: For each witness identified by you in connection with the disclosures required by Fed. R. Civ. P. 26(a)(2)(A), provide a complete statement of the opinions to be expressed and basis and reasons therefore.

STANDARD INTERROGATORY NO. 9: For each witness you have retained or specially employed to provide expert testimony in this case, or employed by you whose duties regularly involve giving expert testimony and whom you expect to testify at trial, provide a complete statement of the opinions to be expressed and the basis and reasons therefore.

STANDARD INTERROGATORY NO. 10: State the facts concerning the matters alleged in [paragraph___of your Complaint] [paragraph__of your Answer to the Complaint] [your affirmative defense no. __].

STANDARD INTERROGATORY NO. 11: If you contend that_____, state the facts concerning such contention.

Standard Requests for Production of Documents

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF WYOMING

_____,
Plaintiff

v.

Civil Action No.: _____

_____,
Defendant

REQUEST FOR PRODUCTION OF DOCUMENTS

Pursuant to Fed. R. Civ. P. 34, L.R. 104, _____, by its undersigned attorneys, requests that _____ respond to this Request within the time prescribed by the Federal Rules of Civil Procedure, and produce or make available for inspection and copying the following documents and electronically stored information (“ESI”) on the ____ day of _____, at ___ o’clock, a.m., and continuing from day to day thereafter, until completed, at the offices of _____ (name and address), or at such time and place as may be agreed upon by all counsel.

INSTRUCTIONS

1. Pursuant to Rule 34(b)(2)(B), if you object to a request, the grounds for each objection must be stated with specificity. Also pursuant to that Rule, if you intended to produce copies of documents or of ESI instead of permitting inspection, you must so state.
2. If, in responding to this Request for Production, the responding party encounters any ambiguities when construing a request or definition, the response shall set forth the

matter deemed ambiguous and the construction used in responding.

3. Pursuant to Rule 34(b)(2)(C), an objection must state whether any responsive materials are being withheld on the basis of that objection.
4. Whenever in this Request you are asked to identify or produce a document which is deemed by you to be properly withheld from production for inspection or copying:
 - a. If you are withholding the document under claim of privilege (including, but not limited to, the work product doctrine), please provide the information set forth in Fed. R. Civ. P. 26(b)(5). For electronically stored information, a privilege log (in searchable and sortable form, such as a spreadsheet, matrix, or table) generated by litigation review software, containing metadata fields that generally correspond to the above paragraph is permissible, provided that it also discloses whether transmitting, attached or subsidiary (“parent-child”) documents exist and whether those documents have been produced or withheld.
 - b. If you are withholding the document for any reason other than an objection that it is beyond the scope of discovery, identify as to each document and, in addition to the information requested in paragraph 4.a., above, please state the reason for withholding the document. If you are withholding production on the basis that ESI is not reasonably accessible because of undue burden or cost, provide the facts on which this claim is made.
 - c. When a document contains both privileged and non-privileged material, the non-privileged material must be disclosed to the fullest extent possible

without thereby disclosing the privileged material. If a privilege is asserted with regard to part of the material contained in a document, the party claiming the privilege must clearly indicate the portions as to which the privilege is claimed. When a document has been redacted or altered in any fashion, identify as to each document the reason for the redaction or alteration, the date of the redaction or alteration, and the person performing the redaction or alteration. Any redaction must be clearly visible on the redacted document.

5. It is intended that this Request will not solicit any material protected either by the attorney/client privilege or by the work product doctrine which was created by, or developed by, counsel for the responding party after the date on which this litigation was commenced. If any Request is susceptible of a construction which calls for the production of such material, that material need not be provided and no privilege log pursuant to Fed. R. Civ. P. 26(b)(5) will be required as to such material.

DEFINITIONS

Notwithstanding any definition set forth below, each word, term, or phrase used in this Request is intended to have the broadest meaning permitted under the Federal Rules of Civil Procedure. As used in this Request, the following terms are to be interpreted in accordance with these definitions:

1. *Communication*: The term “communication” means the transmittal of information by any means.
2. *Concerning*: The term “concerning” means relating to, referring to, describing, evidencing, or constituting.

3. *Document*: The terms “document” and “documents” are defined to be synonymous in meaning and equal in scope to the usage of the term “items” in Fed. R. Civ. P. 34(a)(1) and include(s), but is not limited to electronically stored information. The terms “writings,” “recordings,” and “photographs” are defined to be synonymous in meaning and equal in scope to the usage of those terms in Fed. R. Evid. 1001. A draft or non-identical copy is a separate document within the meaning of the term “document.”
4. *Form or Forms*: If documents are produced as electronically stored information, they shall be produced in the following form or forms: [to be determined by the requesting party].
5. *Occurrence/Transaction*: The terms “occurrence” and “transaction” mean the events described in the Complaint and other pleadings, as the word “pleadings” is defined in Fed. R. Civ. P. 7(a).
6. *Parties*: The terms “plaintiff” and “defendant” (including, without limitation, third-party plaintiff, third-party defendant, counter claimant, cross-claimant, counter-defendant, and cross-defendant), as well as a party’s full or abbreviated name or a pronoun referring to a party, mean that party and, where applicable, its officers, directors, and employees. This definition is not intended to impose a discovery obligation on any person who is not a party to the litigation or to limit the Court’s jurisdiction to enter any appropriate order.
7. *Person*: The term “person” is defined as any natural person or any business, legal or governmental entity, or association.

8. *You/Your*: The terms “you” or “your” include the person(s) to whom this Request is addressed, and all of that person’s agents, representatives, and attorneys.
9. The present tense includes the past and future tenses. The singular includes the plural, and the plural includes the singular. “All” means “any and all;” “any” means “any and all.”
10. “Including” means “including but not limited to.” “And” and “or” encompass both “and” and “or.” Words in the masculine, feminine, or neuter form shall include each of the other genders.
11. If the requested documents are maintained in a file, the file folder is included in the request for production of those documents.

STANDARD DOCUMENT REQUESTS

1. The documents referred to in your Answers to Interrogatories.
2. All statements (as that term is used in Fed. R. Civ. P. 26(b)(3)(C)) which were previously made by this party and any of its present or former directors, officers, or employees, concerning the action or its subject matter.
3. The documents (including, but not limited to, correspondence, notes, memoranda, and journal entries) which relate to, describe, summarize, or memorialize any communication between you and [Name], or anyone known or believed by you to have been acting under the authority of [Name], concerning the occurrence.
4. All documents (including, but not limited to, fee agreements, reports, and correspondence) provided to, received from, or prepared by each witness identified by you in connection with the disclosures required by Fed. R. Civ. P. 26(a)(2)(A) or in

connection with any witness identified in your Answer to Standard Interrogatory No. 8 or 9.

5. All contracts or agreements entered into between plaintiff and defendant concerning the occurrence or transaction.
6. The documents concerning your claim for damages or the methods used to calculate such alleged damages.
7. All documents concerning any release, settlement, or other agreement, formal or informal, pursuant to which the liability of any person or any entity for damage arising out of the occurrence which is the subject matter of this lawsuit has been limited, reduced, or released in any manner. This request includes all agreements by one party or person to indemnify another party or person for claims asserted in this litigation.
8. All insurance policies under which a person carrying on an insurance business might be liable to pay to you or on your behalf all or part of the damages sought in this action.
9. All documents received from or provided to any other party to this action or received from any third-party since the filing of the Complaint, whether provided informally or in response to a formal request.
10. All documents referred to in the Complaint and other pleadings, as the word “pleadings” is defined in Fed. R. Civ. P. 7(a).

**Stipulated Order Regarding Non-Waiver of Attorney-Client Privilege
and Work Product Protection**

(Fed. R. Evid. 502(d) and (e))

Whereas, the parties have stipulated, and hereby request the entry of an order providing, that the attorney-client privilege and work product protection shall not be waived under certain circumstances as specified herein;

Accordingly, it is this _____ day of _____, _____, by the United States District Court for the District of Wyoming, ORDERED:

1. Non-Waiver of Attorney-Client Privilege and Work Product Protection. Pursuant to Fed. R. Evid. 502(d) and (e), the disclosure during discovery of any communication or information (hereinafter “Document”) that is protected by the attorney-client privilege (“Privilege” or “Privileged,” as the case may be) or work-product protection (“Protection” or “Protected,” as the case may be), as defined by Fed. R. Evid. 502(g), shall not waive the Privilege or Protection in the above-captioned case, or any other federal or state proceeding, for either that Document or the subject matter of that Document, unless there is an intentional waiver of the Privilege or Protection to support an affirmative use of the Document in support of the party’s claim or defense, in which event the scope of any such waiver shall be determined by Fed. R. Evid. 502(a)(2) and (3). The parties intend that this stipulated order shall displace the provisions of Fed. R. Evid. 502(b)(1) and (2). That is, all disclosures not made to support an affirmative use of the Document in support of a party’s claim or defense shall be regarded as “inadvertent,” and the producing party is hereby deemed to have taken “reasonable steps to prevent disclosure,” regardless of any argument or circumstances suggesting otherwise.

2. Return of Privileged or Protected Materials. Except when the requesting party contests the validity of the underlying claim of Privilege or Protection (including a challenge to the reasonableness of the timing or substance of the measures undertaken by the producing party to

retrieve the Document(s) in question), any Document(s) the producing party claims as Privileged or Protected shall, upon written request, promptly be returned to the producing party and/or destroyed, at the producing party's option. If the underlying claim of Privilege or Protection is contested, the parties shall comply with, and the requesting party may promptly seek a judicial determination of the matter pursuant to, Fed. R. Civ. P. 26(b)(5)(B). In assessing the validity of any claim of Privilege or Protection, the court shall not consider the provisions of Fed. R. Evid. 502(b)(1) and (2), but shall consider whether timely and otherwise reasonable steps were taken by the producing party to request the return or destruction of the Document once the producing party had actual knowledge of (i) the circumstances giving rise to the claim of Privilege or Protection and (ii) the production of the Document in question.

3. For purposes of paragraph 2, "destroyed" shall mean that the paper versions are shredded, that active electronic versions are deleted, and that no effort shall be made to recover versions that are not readily accessible, such as those on backup media or only recoverable through forensic means.

4. For purposes of paragraph 2, "actual knowledge" refers to the actual knowledge of an attorney of record or other attorney with lead responsibilities in the litigation (for example, lead counsel, trial counsel, or a senior attorney with managerial responsibilities for the litigation).

[SIGNATURES OF COUNSEL]

UNITED STATES [DISTRICT] [MAGISTRATE] JUDGE

New Rule 37(e) – Checklist

Note: Rule 37(e) applies only to electronically stored information (“ESI”). It does not apply to tangible evidence. To the extent the rule changes the law of spoliation (as it does in several circuits¹), different rules will apply to spoliation of electronic, as opposed to tangible evidence.

Did a duty to preserve exist at the time the ESI was lost?

- Prior to the commencement of suit, this is determined under the preexisting common-law test: Was litigation reasonably foreseeable?

Were reasonable steps taken to preserve the lost ESI?

- This is an objective test

Did a party fail to take these steps?

- The rule applies only to “a party.”

Can the lost information be (a) restored or (b) replaced? If the lost information cannot be restored or replaced:

- Did its loss prejudice another party (subdivision (e)(1))?
- What measures are the minimum necessary to cure the prejudice (subdivision (e)(1))?
 1. This is akin to the least-severe-sanction requirement codified in Rule 11(c)(4).
 2. None of the four sanctions set forth in subdivision (e)(2) (presuming that the lost information was unfavorable to the non-preserving party; issuing a mandate or permissive adverse inference instruction; or dismissing the action or entering a default judgment) may be imposed.
 3. Nor may any sanction having the effect of a subdivision (e)(2) sanction be imposed.
- Did the party that lost the ESI act with the intent to spoilate (subdivision (e)(2))?
 1. If intent is established, no prejudice need be shown for a sanction to be imposed, including the four severe sanctions listed in subdivision (e)(2).

¹ Prior to the adoption of the new rule, the Circuits had split on the question whether negligence on the destruction of relevant evidence was sufficient, in at least some circumstances, to support the sanction of an adverse inference. The First, Second, Sixth, Ninth, and, in at least one circumstance, the D.C. Circuits had all concluded that negligence could be sufficient. Moreover, all Circuits required a showing of prejudice before an adverse inference instruction could issue as a sanction for loss of evidence. Rule 37(e) changes this result, requiring no showing of prejudice as a prerequisite to issuance of an adverse inference instruction if intent to deprive the adverse party of the lost evidence is established.

Comparison of the Previous Federal Civil Rules and the Amendments Effective December 1, 2015

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 1. Scope and Purpose</i></p> <p>These rules govern the procedure in all civil actions and proceedings in the United States district courts, except as stated in Rule 81. They should be construed[,] and administered[, and employed by the court and the parties] to secure the just, speedy, and inexpensive determination of every action and proceeding.</p>	<p><i>Rule 1. Scope and Purpose</i></p> <p>These rules govern the procedure in all civil actions and proceedings in the United States district courts, except as stated in Rule 81. They should be construed, administered, and employed by the court and the parties to secure the just, speedy, and inexpensive determination of every action and proceeding.</p>	<p>Rule 1 is amended to emphasize that just as the court should construe and administer these rules to secure the just, speedy, and inexpensive determination of every action, the parties also share the responsibility to employ the rules in the same way.</p> <p>This amendment neither creates a new independent source of sanctions nor does it abridge the scope of any other of these rules.</p>

Comparison of the Previous Federal Civil Rules and the Amendments Effective December 1, 2015

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 4. Summons</i></p> <p><i>(d) Waiving Service.</i></p> <p><i>(1) Requesting a Waiver.</i></p> <p><i>(C)</i> be accompanied by a copy of the complaint, 2 copies of a the waiver form appended to this Rule 4, and a prepaid means for returning the form;</p> <p><i>(D)</i> inform the defendant, using text prescribed in Form 5 the form appended to this Rule 4, of the consequences of waiving and not waiving service;</p> <p><i>(m) Time Limit for Service.</i> If a defendant is not served within 120 [90] days after the complaint is filed, the court – on motion or on its own after notice to the plaintiff – must dismiss the action without prejudice against the defendant or order that service be made within a specified time. But if the plaintiff shows good cause for the failure, the court must extend the time for service for an appropriate period. This subdivision (m) does not apply to service in a foreign country under Rule 4(f) or 4(j)(1) [or to service of a notice under Rule 71.1(d)(3)(A)].</p>	<p><i>Rule 4. Summons</i></p> <p><i>(d) Waiving Service.</i></p> <p><i>(1) Requesting a Waiver.</i></p> <p><i>(C)</i> be accompanied by a copy of the complaint, 2 copies of the waiver form appended to this Rule 4, and a prepaid means for returning the form;</p> <p><i>(D)</i> inform the defendant, using the form appended to this Rule 4, of the consequences of waiving and not waiving service;</p> <p><i>(m) Time Limit for Service.</i> If a defendant is not served within 90 days after the complaint is filed, the court – on motion or on its own after notice to the plaintiff – must dismiss the action without prejudice against the defendant or order that service be made within a specified time. But if the plaintiff shows good cause for the failure, the court must extend the time for service for an appropriate period. This subdivision (m) does not apply to service in a foreign country under Rule 4(f) or 4(j)(1) or to service of a notice under Rule 71.1(d)(3)(A).</p>	<p>Forms 5 and 6 are now directly incorporated into Rule 4 because of the abrogation of Rule 84 and the other official forms.</p> <p>The presumptive time for serving a defendant is reduced from 120 days to 90 days. This change, together with the shortened times for issuing a scheduling order set by amended Rule 16(b)(2), will reduce delay at the beginning of litigation.</p> <p>The final sentence is amended to make it clear that this reference to Rule 4 in Rule 71.1(d)(3)(A) does not include Rule 4(m).</p> <p>Shortening the time to serve under Rule 4(m) means that the time of the notice required by Rule 15(c)(1)(C) for relation back is also shortened.</p>

Comparison of the Previous Federal Civil Rules and the Amendments Effective December 1, 2015

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 16. Pretrial Conferences; Scheduling; Management</i></p> <p>(b) <i>Scheduling.</i></p> <p>(1) <i>Scheduling Order.</i> Except in categories of actions exempted by local rule, the district judge – or a magistrate judge when authorized by local rule – must issue a scheduling order;</p> <p>(A) after receiving the parties’ report under Rule 26(f); or</p> <p>(B) after consulting with the parties’ attorneys and any unrepresented parties at a scheduling conference by telephone, mail, or other means.</p> <p>(2) <i>Time to Issue.</i> The judge must issue the scheduling order as soon as practicable, but in any event unless the judge finds good cause for delay, the judge must issue it within the earlier of 120 [90] days after any defendant has been served with the complaint or 90 [60] days after any defendant has appeared.</p>	<p><i>Rule 16. Pretrial Conferences; Scheduling; Management</i></p> <p>(b) <i>Scheduling.</i></p> <p>(1) <i>Scheduling Order.</i> Except in categories of actions exempted by local rule, the district judge – or a magistrate judge when authorized by local rule – must issue a scheduling order;</p> <p>(A) after receiving the parties’ report under Rule 26(f); or</p> <p>(B) after consulting with the parties’ attorneys and any unrepresented parties at a scheduling conference.</p> <p>(2) <i>Time to Issue.</i> The judge must issue the scheduling order as soon as practicable, but unless the judge finds good cause for delay, the judge must issue it within the earlier of 90 days after any defendant has been served with the complaint or 60 days after any defendant has appeared.</p>	<p>The provision for consulting at a scheduling conference by “telephone, mail, or other means” is deleted. The conference may be held in person, by telephone, or by more sophisticated electronic means.</p> <p>The time to issue the scheduling order is reduced to the earlier of 90 days (not 120 days) after any defendant has been served, or 60 days (not 90 days) after any defendant has appeared. This change, together with the shortened time for making service under Rule 4(m), will reduce delay at the beginning of litigation. At the same time, a new provision recognizes that the court may find good cause to extend the time to issue the scheduling order.</p>

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 16 (continued)</i></p> <p><i>(3) Contents of the Order.</i></p> <p><i>(B) Permitted Contents.</i> The scheduling order may:</p> <p><i>(iii)</i> provide for disclosure[, or discovery[, or preservation] of electronically stored information;</p> <p><i>(iv)</i> include any agreements the parties reach for asserting claims of privilege or of protection as trial- preparation material after information is produced[, including agreements reached under Federal Rule of Evidence 502;</p> <p><i>(v)</i> direct that before moving for an order relating to discovery, the movant must request a conference with the court;</p> <p>(v)<i>(vi)</i> set dates for pretrial conferences and for trial; and</p> <p>(vii)<i>(vi)</i> include other appropriate matters.</p>	<p><i>Rule 16 (continued)</i></p> <p><i>(3) Contents of the Order.</i></p> <p><i>(B) Permitted Contents.</i> The scheduling order may:</p> <p><i>(iii)</i> provide for disclosure, discovery, or preservation of electronically stored information;</p> <p><i>(iv)</i> include any agreements the parties reach for asserting claims of privilege or of protection as trial- preparation material after information is produced, including agreements reached under Federal Rule of Evidence 502;</p> <p><i>(v)</i> direct that before moving for an order relating to discovery, the movant must request a conference with the court;</p> <p><i>(vi)</i> set dates for pretrial conferences and for trial; and</p> <p><i>(vii)</i> include other appropriate matters.</p>	<p>The scheduling order may provide for preservation of electronically stored information, which was also added to the provisions of a discovery plan under Rule 26(f)(3)(C). Parallel amendments to Rule 37(e) recognize that a duty to preserve discoverable information may arise before an action is filed.</p> <p>The scheduling order may also include agreements incorporated in a court order issued under Federal Rule of Evidence 502, controlling the effects of disclosure of information covered by attorney–client privilege or work-product protection. This topic was also added to the provisions of a discovery plan under Rule 26(f)(3)(D).</p> <p>Finally, the scheduling order may direct that the movant must request a conference with the court before filing a motion for an order relating to discovery. However, the decision whether to require such conferences is left to the discretion of the judge in each case.</p>

<p><i>Rule 26. Duty to Disclose; General Provisions; Governing Discovery</i></p> <p><i>(b) Discovery Scope and Limits.</i></p> <p><i>(1) Scope in General.</i> Unless otherwise limited by court order, the scope of discovery is as follows: Parties may obtain discovery regarding any nonprivileged matter that is relevant to any party’s claim or defense[and proportional to the needs of the case, considering the importance of the issues at stake in the action, the amount in controversy, the parties’ relative access to relevant information, the parties’ resources, the importance of the discovery in resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefit. Information within this scope of discovery need not be admissible in evidence to be discoverable.]</p> <p>—including the existence, description, nature, custody, condition and location of any documents or other tangible things and the identity and location of persons who know of any discoverable matter. For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence. All discovery is subject to the limitations imposed by Rule 26(b)(2)(C).</p>	<p><i>Rule 26. Duty to Disclose; General Provisions; Governing Discovery</i></p> <p><i>(b) Discovery Scope and Limits.</i></p> <p><i>(1) Scope in General.</i> Unless otherwise limited by court order, the scope of discovery is as follows: Parties may obtain discovery regarding any nonprivileged matter that is relevant to any party’s claim or defense and proportional to the needs of the case, considering the importance of the issues at stake in the action, the amount in controversy, the parties’ relative access to relevant information, the parties’ resources, the importance of the discovery in resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefit. Information within this scope of discovery need not be admissible in evidence to be discoverable.</p>	<p>Information is discoverable under revised Rule 26(b)(1) if it is relevant to any party’s claim or defense and is proportional to the needs of the case. The considerations that bear on proportionality are taken from Rule 26(b)(2)(C)(iii), with slight modifications.</p>
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<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 26 (continued)</i></p> <p>(2) <i>Limitations on Frequency and Extent.</i></p> <p>(C) <i>When Required.</i> On motion or on its own, the court must limit the frequency or extent of discovery otherwise allowed by these rules or by local rule if it determines that:</p> <p>(iii) the burden or expense of the proposed discovery [is outside the scope permitted by Rule 26(b)(1)] outweighs its likely benefit, considering the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the action, and the importance of the discovery in resolving the issues.</p> <p>(c) <i>Protective Orders.</i></p> <p>(1) <i>In General.</i></p> <p style="text-align: center;">* * *</p> <p>(B) specifying terms, including time and place [or the allocation of expenses], for the disclosure or discovery;</p>	<p><i>Rule 26 (continued)</i></p> <p>(2) <i>Limitations on Frequency and Extent.</i></p> <p>(C) <i>When Required.</i> On motion or on its own, the court must limit the frequency or extent of discovery otherwise allowed by these rules or by local rule if it determines that:</p> <p>(iii) the proposed discovery is outside the scope permitted by Rule 26(b)(1).</p> <p>(c) <i>Protective Orders.</i></p> <p>(1) <i>In General.</i></p> <p style="text-align: center;">* * *</p> <p>(B) specifying terms, including time and place or the allocation of expenses, for the disclosure or discovery;</p>	<p>Rule 26(b)(2)(C)(iii) is amended to reflect that the proportionality considerations were moved to Rule 26(b)(1).</p> <p>Rule 26(c)(1)(B) is amended to include an express recognition of protective orders that allocate expenses for disclosure or discovery.</p>

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 26 (continued)</i></p> <p><i>(d) Timing and Sequence of Discovery.</i></p> <p>[(2) Early Rule 34 Requests.</p> <p>(A) Time to Deliver. More than 21 days after the summons and complaint are served on a party, a request under Rule 34 may be delivered:</p> <p>(i) to that party by any other party, and</p> <p>(ii) by that party to any plaintiff or to any other party that has been served.</p> <p>(B) When Considered Served. The request is considered to have been served at the first Rule 26(f) conference.]</p> <p>(2[3]) <i>Sequence. Unless, on motion, [the parties stipulate or]</i> the court orders otherwise for the parties' and witnesses' convenience and in the interests of justice:</p> <p>(A) methods of discovery may be used in any sequence; and</p> <p>(B) discovery by one party does not require any other party to delay its discovery.</p>	<p><i>Rule 26 (continued)</i></p> <p><i>(d) Timing and Sequence of Discovery.</i></p> <p><i>(2) Early Rule 34 Requests.</i></p> <p><i>(A) Time to Deliver. More than 21 days after the summons and complaint are served on a party, a request under Rule 34 may be delivered:</i></p> <p><i>(i) to that party by any other party, and</i></p> <p><i>(ii) by that party to any plaintiff or to any other party that has been served.</i></p> <p><i>(B) When Considered Served. The request is considered to have been served at the first Rule 26(f) conference.</i></p> <p><i>(3) Sequence. Unless the parties stipulate or the court orders otherwise for the parties' and witnesses' convenience and in the interests of justice:</i></p> <p><i>(A) methods of discovery may be used in any sequence; and</i></p> <p><i>(B) discovery by one party does not require any other party to delay its discovery.</i></p>	<p>Rule 26(d)(2) is added to allow a party to deliver Rule 34 requests to another party more than 21 days after that party has been served even though the parties have not yet had a Rule 26(f) conference. Delivery may be made by any party to the party that has been served, and by that party to any plaintiff and any other party that has been served.</p> <p>Rule 26(d)(3) is renumbered and amended to recognize that the parties may stipulate to case-specific sequences of discovery.</p>

Comparison of the Previous Federal Civil Rules and the Amendments Effective December 1, 2015

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 26 (continued)</i></p> <p><i>(f) Conference of the Parties; Planning for Discovery.</i></p> <p><i>(3) Discovery Plan.</i> A discovery plan must state the parties' views and proposals on:</p> <p>(C) any issues about disclosure[,] or discovery[, or preservation] of electronically stored information, including the form or forms in which it should be produced;</p> <p>(D) any issues about claims of privilege or of protection as trial-preparation materials, including – if the parties agree on a procedure to assert these claims after production – whether to ask the court to include their agreement in an order [under Federal Rule of Evidence 502];</p>	<p><i>Rule 26 (continued)</i></p> <p><i>(f) Conference of the Parties; Planning for Discovery.</i></p> <p><i>(3) Discovery Plan.</i> A discovery plan must state the parties' views and proposals on:</p> <p>(C) any issues about disclosure, discovery, or preservation of electronically stored information, including the form or forms in which it should be produced;</p> <p>(D) any issues about claims of privilege or of protection as trial-preparation materials, including – if the parties agree on a procedure to assert these claims after production – whether to ask the court to include their agreement in an order under Federal Rule of Evidence 502;</p>	<p>Rule 26(f)(3) is amended in parallel with Rule 16(b)(3) to add two items to the discovery plan: issues about preserving electronically stored information and court orders under Federal Rule of Evidence 502.</p>

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 30. Depositions by Oral Examination</i></p> <p>(a) <i>When a Deposition May Be Taken.</i></p> <p>(2) <i>With Leave.</i> A party must obtain leave of court, and the court must grant leave to the extent consistent with Rule 26(b)[(1) and](2):</p> <p>(d) <i>Duration.</i> Unless otherwise stipulated or ordered by the court, a deposition is limited to one day of 7 hours. The court must allow additional time consistent with Rule 26(b)[(1) and](2) if needed to fairly examine the deponent or if the deponent, another person, or any other circumstance impedes or delays the examination.</p>	<p><i>Rule 30. Depositions by Oral Examination</i></p> <p>(a) <i>When a Deposition May Be Taken.</i></p> <p>(2) <i>With Leave.</i> A party must obtain leave of court, and the court must grant leave to the extent consistent with Rule 26(b)(1) and (2):</p> <p>(d) <i>Duration.</i> Unless otherwise stipulated or ordered by the court, a deposition is limited to one day of 7 hours. The court must allow additional time consistent with Rule 26(b)(1) and (2) if needed to fairly examine the deponent or if the deponent, another person, or any other circumstance impedes or delays the examination.</p>	<p>Rule 30 is amended similarly to Rules 31 and 33 to reflect the new recognition of proportionality in Rule 26(b)(1).</p>

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 31. Depositions by Written Questions</i> (a) <i>When a Deposition May Be Taken.</i> (2) <i>With Leave.</i> A party must obtain leave of court, and the court must grant leave to the extent consistent with Rule 26(b)[(1) and](2):</p> <p style="text-align: center;">* * *</p> <p><i>Rule 33. Interrogatories to Parties</i> (a) <i>In General</i> (1) <i>Number.</i> Unless otherwise stipulated or ordered by the court, a party may serve on any other party no more than 25 written interrogatories, including all discrete subparts. Leave to serve additional interrogatories may be granted to the extent consistent with Rule 26(b)[(1) and](2).</p>	<p><i>Rule 31. Depositions by Written Questions</i> (a) <i>When a Deposition May Be Taken.</i> (2) <i>With Leave.</i> A party must obtain leave of court, and the court must grant leave to the extent consistent with Rule 26(b)(1) and (2):</p> <p style="text-align: center;">* * *</p> <p><i>Rule 33. Interrogatories to Parties</i> (a) <i>In General</i> (1) <i>Number.</i> Unless otherwise stipulated or ordered by the court, a party may serve on any other party no more than 25 written interrogatories, including all discrete subparts. Leave to serve additional interrogatories may be granted to the extent consistent with Rule 26(b)(1) and (2).</p>	<p>Rules 31 and 33 are amended similarly to Rule 30 to reflect the new recognition of proportionality in Rule 26(b)(1).</p>

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 34. Producing Documents, Electronically Stored Information, and Tangible Things, or Entering onto Land, for Inspection and Other Purposes</i></p> <p><i>(b) Procedure.</i></p> <p><i>(2) Responses and Objections.</i></p> <p><i>(A) Time to Respond.</i> The party to whom the request is directed must respond in writing within 30 days after being served[or – if the request was delivered under Rule 26(d)(2) – within 30 days after the parties’ first Rule 26(f) conference]. A shorter or longer time may be stipulated to under Rule 29 or be ordered by the court.</p> <p><i>(B) Responding to Each Item.</i> For each item or category, the response must either state that inspection and related activities will be permitted as requested or state an objection[with specificity the grounds for objecting] to the request, including the reasons.[The responding party may state that it will produce copies of documents or of electronically stored information instead of permitting inspection. The production must then be completed no later than the time for inspection specified in the request or another reasonable time specified in the response.]</p>	<p><i>Rule 34. Producing Documents, Electronically Stored Information, and Tangible Things, or Entering onto Land, for Inspection and Other Purposes</i></p> <p><i>(b) Procedure.</i></p> <p><i>(2) Responses and Objections.</i></p> <p><i>(A) Time to Respond.</i> The party to whom the request is directed must respond in writing within 30 days after being served or – if the request was delivered under Rule 26(d)(2) – within 30 days after the parties’ first Rule 26(f) conference. A shorter or longer time may be stipulated to under Rule 29 or be ordered by the court.</p> <p><i>(B) Responding to Each Item.</i> For each item or category, the response must either state that inspection and related activities will be permitted as requested or state with specificity the grounds for objecting to the request, including the reasons. The responding party may state that it will produce copies of documents or of electronically stored information instead of permitting inspection. The production must then be completed no later than the time for inspection specified in the request or another reasonable time specified in the response.</p>	<p>Rule 34(b)(2)(A) is amended to conform with new Rule 26(d)(2). The time to respond to a Rule 34 request delivered before the parties’ Rule 26(f) conference is 30 days after the first Rule 26(f) conference.</p> <p>Rule 34(b)(2)(B) is amended to require that objections to Rule 34 requests be stated with specificity. The specificity of the objection ties to the new provision in Rule 34(b)(2)(C), directing that an objection must state whether any responsive materials are being withheld on the basis of that objection.</p> <p>Rule 34(b)(2)(B) is further amended to reflect the common practice of producing copies of documents or electronically stored information rather than simply permitting inspection. The response to the request must state that copies will be produced. The production must be completed either by the time for inspection specified in the request or by another reasonable time specifically identified in the response.</p>

Comparison of the Previous Federal Civil Rules and the Amendments Effective December 1, 2015

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 34 (continued)</i></p> <p><i>(C) Objections.</i> [An objection must state whether any responsive materials are being withheld on the basis of that objection.] An objection to part of a request must specify the party and permit inspection of the rest.</p>	<p><i>Rule 34 (continued)</i></p> <p><i>(C) Objections.</i> An objection must state whether any responsive materials are being withheld on the basis of that objection. An objection to part of a request must specify the party and permit inspection of the rest.</p>	<p>Rule 34(b)(2)(C) is amended to provide that an objection to a Rule 34 request must state whether anything is being withheld on the basis of the objection.</p>

Comparison of the Previous Federal Civil Rules and the Amendments Effective December 1, 2015

<u>Old Rule</u>	<u>New Rule</u>	<u>Commentary</u>
<p><i>Rule 37. Failure to Make Disclosures or to Cooperate in Discovery; Sanctions</i></p> <p><i>(a) Motion for an Order Compelling Disclosure or Discovery.</i></p> <p><i>(3) Specific Motions.</i></p> <p><i>(B) To Compel a Discovery Response. A party seeking discovery may move for an order compelling an answer, designation, production, or inspection. This motion may be made if:</i></p> <p><i>(iv) a party [fails to produce documents or] fails to respond that inspection will be permitted – or fails to permit inspection – as requested under Rule 34.</i></p>	<p><i>Rule 37. Failure to Make Disclosures or to Cooperate in Discovery; Sanctions</i></p> <p><i>(a) Motion for an Order Compelling Disclosure or Discovery.</i></p> <p><i>(3) Specific Motions.</i></p> <p><i>(B) To Compel a Discovery Response. A party seeking discovery may move for an order compelling an answer, designation, production, or inspection. This motion may be made if:</i></p> <p><i>(iv) a party fails to produce documents or fails to respond that inspection will be permitted – or fails to permit inspection – as requested under Rule 34.</i></p>	<p>Rule 37(a)(3)(B)(iv) is amended to reflect the common practice of producing copies of documents or electronically stored information rather than simply permitting inspection. This change brings item (iv) into line with paragraph (B), which provides for a motion for an order compelling “production, or inspection.”</p>

<p><i>Rule 37 (continued)</i></p> <p>(e) Failure to Provide[Preserve] Electronically Stored Information. Absent exceptional circumstances, a court may not impose sanctions under these rules on a party for failing to provide electronically stored information lost as a result of the routine, good faith operation of an electronic information system.[If electronically stored information that should have been preserved in the anticipation or conduct of litigation is lost because a party failed to take reasonable steps to preserve it, and it cannot be restored or replaced through additional discovery, the court:</p> <p>(1) upon finding prejudice to another party from loss of information, may order measures no greater than necessary to cure the prejudice; or</p> <p>(2) only upon finding that the party acted with the intent to deprive another party of the information’s use in the litigation may:</p> <p>(A) presume that the lost information was unfavorable to the party;</p> <p>(B) instruct the jury that it may or must presume the information was unfavorable to the party; or</p> <p>(C) dismiss the action or enter a default judgment.</p>	<p><i>Rule 37 (continued)</i></p> <p><i>(e) Failure to Preserve Electronically Stored Information.</i> If electronically stored information that should have been preserved in the anticipation or conduct of litigation is lost because a party failed to take reasonable steps to preserve it, and it cannot be restored or replaced through additional discovery, the court:</p> <p>(1) upon finding prejudice to another party from loss of information, may order measures no greater than necessary to cure the prejudice; or</p> <p>(2) only upon finding that the party acted with the intent to deprive another party of the information’s use in the litigation may:</p> <p>(A) presume that the lost information was unfavorable to the party;</p> <p>(B) instruct the jury that it may or must presume the information was unfavorable to the party; or</p> <p>(C) dismiss the action or enter a default judgment.</p>	<p>The current Rule 37(e) is replaced by a new Rule 37(e). The new Rule 37(e) authorizes and specifies measures a court may employ if information that should have been preserved is lost, and specifies the findings necessary to justify these measures.</p>
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<p><i>Rule 55. Default; Default Judgment</i></p> <p><i>(c) Setting Aside a Default or a Default Judgment.</i> The court may set aside an entry of default for good cause, and it may set aside a [final] default judgment under Rule 60(b).</p>	<p><i>Rule 55. Default; Default Judgment</i></p> <p><i>(c) Setting Aside a Default or a Default Judgment.</i> The court may set aside an entry of default for good cause, and it may set aside a final default judgment under Rule 60(b).</p>	<p>Rule 55(c) is amended to clarify the interplay between Rules 54(b), 55(c), and 60(b). A default judgment that does not dispose of all the claims among all parties is not a final judgment under Rule 54(b).</p>
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Comparison of the Previous Federal Civil Rules and the Amendments Effective December 1, 2015

<p><i>Rule 84. Forms</i></p> <p>[Abrogated eff. Dec. 1, 2015.]</p> <p>The forms in the Appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.</p>	<p><i>Rule 84. Forms</i></p> <p>Abrogated eff. Dec. 1, 2015.</p>	<p>Based on the many alternative sources for forms, Rule 84 and the Appendix of Forms have been abrogated.</p>
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THE SEDONA CONFERENCE COOPERATION PROCLAMATION

*Dialogue Designed to Move the Law
Forward in a Reasoned and Just Way*



THE SEDONA CONFERENCE COOPERATION PROCLAMATION

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The Sedona Conference Cooperation Proclamation

The Sedona Conference launches a coordinated effort to promote cooperation by all parties to the discovery process to achieve the goal of a “just, speedy, and inexpensive determination of every action.”

The costs associated with adversarial conduct in pre-trial discovery have become a serious burden to the American judicial system. This burden rises significantly in discovery of electronically stored information (“ESI”). In addition to rising monetary costs, courts have seen escalating motion practice, overreaching, obstruction, and extensive, but unproductive discovery disputes – in some cases precluding adjudication on the merits altogether – when parties treat the discovery process in an adversarial manner. Neither law nor logic compels these outcomes.

With this Proclamation, The Sedona Conference launches a national drive to promote open and forthright information sharing, dialogue (internal and external), training, and the development of practical tools to facilitate cooperative, collaborative, transparent discovery. This Proclamation challenges the bar to achieve these goals and refocus litigation toward the substantive resolution of legal disputes.

Cooperation in Discovery is Consistent with Zealous Advocacy

Lawyers have twin duties of loyalty: While they are retained to be zealous advocates for their clients, they bear a professional obligation to conduct discovery in a diligent and candid manner. Their combined duty is to strive in the best interests of their clients to achieve the best results at a reasonable cost, with integrity and candor as officers of the court. Cooperation does not conflict with the advancement of their clients’ interests - it enhances it. Only when lawyers confuse advocacy with adversarial conduct are these twin duties in conflict.

Lawyers preparing cases for trial need to focus on the full cost of their efforts – temporal, monetary, and human. Indeed, all stakeholders in the system – judges, lawyers, clients, and the general public – have an interest in establishing a culture of cooperation in the discovery process. Over-contentious discovery is a cost that has outstripped any advantage in the face of ESI and the data deluge. It is not in anyone’s interest to waste resources on unnecessary disputes, and the legal system is strained by “gamesmanship” or “hiding the ball,” to no practical effect.

Effort to change the culture of discovery from adversarial conduct to cooperation is not utopian.¹ It is, instead, an exercise in economy and logic. Establishing a culture of cooperation will channel valuable advocacy skills toward interpreting the facts and arguing the appropriate application of law.

¹ Gartner RAS Core Research Note G00148170, *Cost of eDiscovery Threatens to Skew Justice System*, 1D# G00148170, (April 20, 2007), at <http://www.h5technologies.com/pdf/gartner0607.pdf>. (While noting that “several . . . disagreed with the suggestion [to collaborate in the discovery process] . . . calling it ‘utopian’”, one of the “take-away’s” from the program identified in the Gartner Report was to “[s]trive for a collaborative environment when it comes to eDiscovery, seeking to cooperate with adversaries as effectively as possible to share the value and reduce costs.”).

The Sedona Conference Cooperation Proclamation

Cooperative Discovery is Required by the Rules of Civil Procedure

When the first uniform civil procedure rules allowing discovery were adopted in the late 1930s, “discovery” was understood as an essentially cooperative, rule-based, party-driven process, designed to exchange relevant information. The goal was to avoid gamesmanship and surprise at trial. Over time, discovery has evolved into a complicated, lengthy procedure requiring tremendous expenditures of client funds, along with legal and judicial resources. These costs often overshadow efforts to resolve the matter itself. The 2006 amendments to the Federal Rules specifically focused on discovery of “electronically stored information” and emphasized early communication and cooperation in an effort to streamline information exchange, and avoid costly unproductive disputes.

Discovery rules frequently compel parties to meet and confer regarding data preservation, form of production, and assertions of privilege. Beyond this, parties wishing to litigate discovery disputes must certify their efforts to resolve their difficulties in good faith.

Courts see these rules as a mandate for counsel to act cooperatively.² Methods to accomplish this cooperation may include:

1. Utilizing internal ESI discovery “point persons” to assist counsel in preparing requests and responses;
2. Exchanging information on relevant data sources, including those not being searched, or scheduling early disclosures on the topic of Electronically Stored Information;
3. Jointly developing automated search and retrieval methodologies to cull relevant information;
4. Promoting early identification of form or forms of production;
5. Developing case-long discovery budgets based on proportionality principles; and
6. Considering court-appointed experts, volunteer mediators, or formal ADR programs to resolve discovery disputes.

The Road to Cooperation

It is unrealistic to expect a *sua sponte* outbreak of pre-trial discovery cooperation. Lawyers frequently treat discovery conferences as perfunctory obligations. They may fail to recognize or act on opportunities to make discovery easier, less costly, and more productive. New lawyers may not yet have developed cooperative advocacy skills, and senior lawyers may cling to a long-held “hide the ball” mentality. Lawyers who recognize the value of resources such as ADR and special masters may nevertheless overlook their application to discovery. And, there remain obstreperous counsel with no interest in cooperation, leaving even the best-intentioned to wonder if “playing fair” is worth it.

² See, e.g., *Board of Regents of University of Nebraska v BASF Corp.* No. 4:04-CV-3356, 2007 WL 3342423, at *5 (D. Neb. Nov. 5, 2007) (“The overriding theme of recent amendments to the discovery rules has been open and forthright sharing of information by all parties to a case with the aim of expediting case progress, minimizing burden and expense, and removing contentiousness as much as practicable. [citations omitted]. If counsel fail in this responsibility—willfully or not—these principles of an open discovery process are undermined, coextensively inhibiting the courts’ ability to objectively resolve their clients’ disputes and the credibility of its resolution.”).

The Sedona Conference Cooperation Proclamation

This “Cooperation Proclamation” calls for a paradigm shift for the discovery process; success will not be instant. The Sedona Conference views this as a three-part process to be undertaken by The Sedona Conference Working Group on Electronic Document Retention and Production (WG1):

Part I: Awareness - Promoting awareness of the need and advantages of cooperation, coupled with a call to action. This process has been initiated by The Sedona Conference Cooperation Proclamation.

Part II: Commitment - Developing a detailed understanding and full articulation of the issues and changes needed to obtain cooperative fact-finding. This will take the form of a “Case for Cooperation” which will reflect viewpoints of all legal system stakeholders. It will incorporate disciplines outside the law, aiming to understand the separate and sometimes conflicting interests and motivations of judges, mediators and arbitrators, plaintiff and defense counsel, individual and corporate clients, technical consultants and litigation support providers, and the public at large.

Part III: Tools - Developing and distributing practical “toolkits” to train and support lawyers, judges, other professionals, and students in techniques of discovery cooperation, collaboration, and transparency. Components will include training programs tailored to each stakeholder; a clearinghouse of practical resources, including form agreements, case management orders, discovery protocols, etc.; court-annexed e-discovery ADR with qualified counselors and mediators, available to assist parties of limited means; guides for judges faced with motions for sanctions; law school programs to train students in the technical, legal, and cooperative aspects of e-discovery; and programs to assist individuals and businesses with basic e-record management, in an effort to avoid discovery problems altogether.

Conclusion

It is time to build upon modern Rules amendments, state and federal, which address e-discovery. Using this springboard, the legal profession can engage in a comprehensive effort to promote pre-trial discovery cooperation. Our “officer of the court” duties demand no less. This project is not utopian; rather, it is a tailored effort to effectuate the mandate of court rules calling for a “just, speedy, and inexpensive determination of every action” and the fundamental ethical principles governing our profession.

Cover Sheet
For
Model Discovery Plan
Chief Judge B. Lynn Winmill



Guidelines for Counsel:

Guideline 1: The Court requires each case to be governed by a written Discovery Plan prepared pursuant to Rule 26(f)(3).

Guideline 2: The attached Model Discovery Plan is designed to help you draft your own Discovery Plan customized to the needs of your case. This Model Discovery Plan may contain provisions you do not need, and may be missing others that you do need. Add or delete provisions as you feel necessary. Your Discovery Plan might be 2 pages or 20 pages depending on the complexity of your case and the anticipated discovery.

Guideline 3: The Court expects you to expend real time, thought and energy in coming up with a workable Discovery Plan, and to draft realistic limits on discovery with an eye to avoiding unnecessary expenditures of time and money.

Guideline 4: All discovery in this case shall be conducted in accordance with Rule 1, which requires that the Rules “be construed, administered, and employed **by the court and the parties** to secure the just, speedy, and inexpensive determination of every action and proceeding.”

Guideline 5: So long as counsel are acting in good faith, the Court will be very flexible in adopting agreements to change the Discovery Plan, or in imposing reasonable and necessary changes in the absence of an agreement of counsel.

Guideline 6: To facilitate this flexibility, the Court will schedule short status conferences with counsel, ranging from monthly conferences in complex cases and quarterly conferences in more garden-variety cases. One of the topics for those status conferences will be a report on the progress of discovery and whether the Discovery Plan requires modification.

Guideline 7: Discovery issues shall be analyzed by you – and, if necessary, resolved by the Court – using the proportionality factors set forth in Rule 26(b)(1): (1) The importance of the issues at stake in the action; (2) The amount in controversy; (3) The parties’ relative access to relevant information; (4) The parties’ resources; (5) The importance of the discovery in resolving the issues; and (6) Whether the burden or expense of the proposed discovery outweighs its likely benefit.

Guideline 8: Rule 26(g) requires the parties “to consider [proportionality] factors in making discovery requests, responses or objections.” *See Advisory Committee Notes.*

Guideline 9: Proportionality “does not place on the party seeking discovery the burden of addressing all proportionality considerations.” *See Advisory Committee Notes.*

Guideline 10: The Rules do not authorize boilerplate objections or refusals to provide discovery on the ground that it is not proportional – the grounds must be stated with specificity. *See Advisory Committee Notes.*

Guideline 11: Monetary stakes are only one factor in evaluating proportionality. A case seeking to “vindicate vitally important personal or public values” (like “employment [or] free speech” issues) “may have importance far beyond the monetary amount involved.” *See Advisory Committee Notes.*

Guideline 12: Transparency in search methodology is crucial to instilling confidence in the production of ESI and other material. Thus, each party should reveal the search methodology they use in responding to requests for production of ESI and other material, to the extent possible given the protections afforded by the attorney-client privilege and the work product doctrine.

Guideline 13: To assist counsel, the Court has attached to the back of the Model Discovery Plan a checklist developed by the Northern District of California. Counsel are free to use it or ignore it.

Guideline 14: Pursuant to Rule 26(f)(2), the Discovery Plan is due 14 days after the meet-and-confer session discussed in Rule 26(f)(1). But in some cases that might be difficult because the parties have not had time to review voluminous initial disclosures or because those disclosures were late-filed or incomplete. The timing of initial disclosures is currently under consideration by the District’s Local Rules Committee. In the meantime, the Rule 26(f)(2) deadline will apply but the

Court will work with counsel on a case-by-case basis to determine if that deadline needs to be modified.

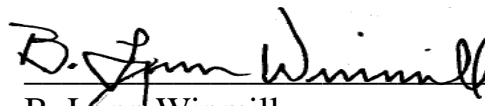
Guideline 15: File your Discovery Plan on CM/ECF. The Court will incorporate the Discovery Plan's deadlines into the Court's Case Management Order so there will be a single Order with all deadlines to avoid any confusion.

Guideline 16: No party shall file a motion seeking to resolve a discovery dispute until first engaging in a mediation session with the Court. The Court makes these a top priority and can schedule them very quickly. The protocol for setting up a mediation session is discussed in each Case Management Order and at the Court's webpage at:

https://www.id.uscourts.gov/district/judges/winmill/discovery_disputes.cfm



DATED: October 4, 2016


B. Lynn Winmill
Chief Judge
United States District Court

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF IDAHO

Plaintiff,
v.
Defendants.

Case No. 0:0-CV-0000-BLW
(MODEL) DISCOVERY PLAN

I. Preservation

- a. **Preservation & Proportionality:** The parties have applied the proportionality standard in Rule 26(b)(1) to determine what information should be preserved and what information should not be preserved.
- b. **Electronically Stored Information (ESI):** With regard to ESI, the parties agree that:
 - i. **Date Range:** Only ESI created or received between ____ and ____ will be preserved;
 - ii. **Scope of Preservation:** The parties agree to:
 - 1. Preserve the Following Types of ESI
 - a. _____
 - 2. From the Following Custodians or Job Titles:
 - a. _____
 - 3. From the Following Systems, Servers, or Databases

a. _____

iii. **Preserved But Not Searched:** These data sources are not reasonably accessible because of undue burden or cost pursuant to Rule 26(b)(2)(B) and ESI from these sources will be preserved but not searched, reviewed, or produced:

1. *[E.g. backup media of [named] system, systems no longer in use that cannot be accessed, etc.]_____.*

iv. **Not Preserved:** Among the sources of data the parties agree are not reasonably accessible pursuant to Rule 26(b)(2)(B), and shall not be preserved, are the following:

1. *[E.g. voicemails, PDAs, mobile phones, instant messaging, automatically saved versions of documents, backup media created before _____, etc.]*

v. **ESI Retention Protocols:** Going forward, the parties agree *[to modify/not to modify]* the document and ESI retention/destruction protocols of *[party]*.

1. *[if modified, describe modifications here]*

vi. **Cost Sharing:**

[The parties agree to share the cost of an electronic discovery vendor; shared document repository; or other cost saving measures]

[The parties agree to bear their own costs for preservation of e-discovery]

II. Initial Disclosures

a. *[if already provided]* Pursuant to Rule 26(a), initial disclosures were provided on the following dates:

- Plaintiffs: _____.
- Defendants: _____.

b. *[if not yet provided]* The parties agree to modify the deadlines in Rule 26(a) to allow initial disclosures to be provided on the following dates:

- Plaintiffs: _____.
- Defendants: _____.

c. *[change to form]* The parties agree to modify the form of the Rule 26(a) initial disclosures as follows: _____.

d. *[exempt]* The parties agree that this proceeding is exempt under Rule 26(a)(1)(B) from the requirement to provide initial disclosures.

III. Scope of Discovery

a. **Scope:** Discovery is necessary on the following subjects/issues:

- For Plaintiff:
 1. _____;
 2. _____;
 3. _____.

4. _____;

5. _____;

• For Defense:

6. _____;

7. _____;

8. _____;

9. _____;

10. _____.

IV. Discovery Boundaries

- a. **Limits:** The parties agree to limit the number of discovery tools as follows:

Depositions: _____

Interrogatories: _____

Requests for Production: _____

V. ESI

- a. **Checklist:** *The Court has attached the “Checklist” for ESI Discovery prepared by the Federal District Court for the Northern District of California to assist counsel in their meet-and-confer session.*
- b. **Proportionality:** *Although not a hard and fast rule, a party from whom ESI has been requested in the typical case will not be expected to search for responsive ESI:*

- *from more than 15 key custodians;*
- *that was created more than 5 years before the filing of the lawsuit;*
- *from sources that are not reasonably accessible without undue burden or cost; or*
- *for more than 160 hours, inclusive of time spent identifying potentially responsive ESI, collecting that ESI, searching that ESI, and reviewing that ESI for responsiveness, confidentiality, and for privilege or work product protection. The producing party must be able to demonstrate that the search was effectively designed and efficiently conducted.*

c. **ESI File Format:** The parties agree to produce documents in the following file format[s] *[check any that apply]*:

- PDF;
- TIFF;
- Native; and/or
- Paper.

d. **ESI Production Format:** The parties agree that documents will be produced *[check any that apply]*:

- with logical document breaks;
- as searchable;

- with load fields enabling review in common litigation databases such as Summation and Concordance;
- with metadata, and, if so, in the following fields: _____.

- e. **ESI Search Methodology:** The parties have agreed to use the following search methodology:
- Predictive coding (or technology assisted review);
 - Keyword search;
 - Other: _____.
- f. **Search Methodology – Transparency:** The parties agree that they will share their search methodology for responding to requests for production of ESI to the following extent: _____.
- g. **General ESI Production vs. E-mail Production:** The parties agree that general ESI production requests under Federal Rules of Civil Procedure 34 and 45, or compliance with a mandatory disclosure order of this court, shall not include e-mail or other forms of electronic correspondence (collectively “e-mail”). To obtain e-mail parties must propound specific e-mail production requests.
- h. **E-mail Custodian List Exchange:** On or before *[date]*, the parties agree to exchange lists identifying (1) likely e-mail custodians, and (2) a specific identification of the *[15]* most significant listed e-mail custodians in view of the pleaded claims and defenses.

- i. **Discovery Re E-mail Custodians, Search Terms & Time Frames:** Each requesting party may propound up to [5] written discovery requests and take [one] deposition per producing party to identify the proper custodians, proper search terms, and proper time frame for e-mail production requests. The court may allow additional discovery upon a showing of good cause.
- j. **Form of E-mail Production Requests:** E-mail production requests shall identify the custodian, search terms, and time frame. The parties shall cooperate to identify the proper custodians, proper search terms, and proper time frame.
- k. **Limits on E-mail Production Requests – Custodians:** Each requesting party shall limit its e-mail production requests to a total of [8] custodians per producing party for all such requests. The parties may jointly agree to modify this limit without the court's leave.
- l. **Limits on E-mail Production Requests – Keyword Search Terms:** Each requesting party shall limit its e-mail production requests to a total of [10] keyword search terms per custodian per party. The parties may jointly agree to modify this limit without the court's leave. The keyword search terms shall be narrowly tailored to particular issues. Indiscriminate terms, such as the producing company's name or its product name, are inappropriate unless combined with narrowing search criteria that sufficiently reduce the risk of overproduction.

m. **Liaison:** Each party [*has identified/will identify*] a Liaison who is responsible for, and knowledgeable about (or has access to a person knowledgeable about), that party's ESI. This includes the technical aspects of e-discovery, including the location, nature, accessibility, format, collection, search methodologies, and production of ESI in this matter. The parties will rely on the Liaisons, as needed, to confer about ESI and to help resolve disputes without court intervention.

VI. Deadlines

- a. The deadline for the completion of fact discovery is: _____.
- b. The deadline for completion of expert witness discovery is: _____.

VII. Phased or Issue-Specific Discovery

a. [*Phased Discovery*] The parties agree to conduct discovery in phases, focusing in the first phase on key information that is easily accessible. The parties will then use that the results of that initial phase of discovery to guide further discovery.

- **First Phase of Discovery:** During the first phase, the parties will conduct discovery on the following subject[s]:

_____.

- **Scope of First Phase:** During the first phase of discovery, the parties shall take the following discovery:

- **Depositions:** _____

- Interrogatories: _____
 - Requests for Production: _____
- **Deadline for Completion of First Phase**: The parties shall complete the first phase of discovery on or before _____.
 - **Further Discovery**: Following completion of the first phase of discovery, the parties will meet together to determine what discovery, if any, is needed in the next phase.
- b. *[Issue-Specific Discovery]* The parties agree that discovery should be focused first on *[jurisdiction] [venue] [qualified immunity] [affirmative defenses that may be dispositive] [information necessary to engage in meaningful settlement discussions] [etc.]*.
- **Deadline for Completion of Issue-Specific Discovery**: The discovery on the issue of *[jurisdiction] [venue] [qualified immunity][affirmative defenses that may be dispositive][information necessary to engage in meaningful settlement discussions] [etc.]* will be completed on or before _____, at which time the parties will meet to determine what needs to be done next.

VIII. Documents Protected From Discovery

- a. **Clawback**: Pursuant to Fed. R. Evid. 502(d), the parties request the Court to enter an Order that production of a privileged or work-product-protected document, whether inadvertent or otherwise, is not a waiver of privilege or

work-product protection in this case or in any other federal or state proceeding.

b. **Quick Peek:** The parties

[agree that a “quick peek” process pursuant to Fed.R.Civ.P. 26(b)(5) is not necessary in this case]

[agree to a “quick peek” process pursuant to Fed.R.Civ.P. 26(b)(5) as set forth herein: _____].

c. **Post-Complaint Communications:** Communications involving trial counsel that post-date the filing of the complaint need not be placed on a privilege log. Communications may be identified on a privilege log by category, rather than individually, if appropriate.

IX. **Protective Order**

- a. The parties have agreed to the terms of a Protective Order to protect *[trade secrets, proprietary material, personal information, etc]* and will submit that to the Court for its approval.
- b. The parties understand that even if they agree to seal material filed with the Court, they must still file a motion to seal and obtain Court approval that the sealing meets with the Ninth Circuit standards for sealing. *See Kamakana v. City and County of Honolulu*, 447 F.3d 1172, 1178 (9th Cir. 2006).

United States District Court
Northern District of California

CHECKLIST FOR RULE 26(f) MEET AND CONFER
REGARDING ELECTRONICALLY STORED INFORMATION

In cases where the discovery of electronically stored information ("ESI") is likely to be a significant cost or burden, the Court encourages the parties to engage in on-going meet and confer discussions and use the following Checklist to guide those discussions. These discussions should be framed in the context of the specific claims and defenses involved. The usefulness of particular topics on the checklist, and the timing of discussion about these topics, may depend on the nature and complexity of the matter.

I. Preservation

- The ranges of creation or receipt dates for any ESI to be preserved.
- The description of data from sources that are not reasonably accessible and that will not be reviewed for responsiveness or produced, but that will be preserved pursuant to Federal Rule of Civil Procedure 26(b)(2)(B).
- The description of data from sources that (a) the party believes could contain relevant information but (b) has determined, under the proportionality factors, is not discoverable and should not be preserved.
- Whether or not to continue any interdiction of any document destruction program, such as ongoing erasures of e-mails, voicemails, and other electronically-recorded material.
- The names and/or general job titles or descriptions of custodians for whom ESI will be preserved (e.g., "HR head," "scientist," "marketing manager," etc.).
- The number of custodians for whom ESI will be preserved.
- The list of systems, if any, that contain ESI not associated with individual custodians and that will be preserved, such as enterprise databases.
- Any disputes related to scope or manner of preservation.

II. Liaison

- The identity of each party's e-discovery liaison.

III. Informal Discovery About Location and Types of Systems

- Identification of systems from which discovery will be prioritized (e.g., email, finance, HR systems).
- Description of systems in which potentially discoverable information is stored.
- Location of systems in which potentially discoverable information is stored.
- How potentially discoverable information is stored.
- How discoverable information can be collected from systems and media in which it is stored.

IV. Proportionality and Costs

- The amount and nature of the claims being made by either party.
- The nature and scope of burdens associated with the proposed preservation and discovery of ESI.
- The likely benefit of the proposed discovery.
- Costs that the parties will share to reduce overall discovery expenses, such as the use of a common electronic discovery vendor or a shared document repository, or other cost-saving measures.

Revised December 1, 2015

- Limits on the scope of preservation or other cost-saving measures.
 - Whether there is relevant ESI that will not be preserved pursuant to Fed. R. Civ. P. 26(b)(1), requiring discovery to be proportionate to the needs of the case.
- V. **Search**
- The search method(s), including specific words or phrases or other methodology, that will be used to identify discoverable ESI and filter out ESI that is not subject to discovery.
 - The quality control method(s) the producing party will use to evaluate whether a production is missing relevant ESI or contains substantial amounts of irrelevant ESI.
- VI. **Phasing**
- Whether it is appropriate to conduct discovery of ESI in phases.
 - Sources of ESI most likely to contain discoverable information and that will be included in the first phases of Fed. R. Civ. P. 34 document discovery.
 - Sources of ESI less likely to contain discoverable information from which discovery will be postponed or avoided.
 - Custodians (by name or role) most likely to have discoverable information and whose ESI will be included in the first phases of document discovery.
 - Custodians (by name or role) less likely to have discoverable information and from whom discovery of ESI will be postponed or avoided.
 - The time period during which discoverable information was most likely to have been created or received.
- VII. **Production**
- The formats in which structured ESI (database, collaboration sites, etc.) will be produced.
 - The formats in which unstructured ESI (email, presentations, word processing, etc.) will be produced.
 - The extent, if any, to which metadata will be produced and the fields of metadata to be produced.
 - The production format(s) that ensure(s) that any inherent searchability of ESI is not degraded when produced.
- VIII. **Privilege**
- How any production of privileged or work product protected information will be handled.
 - Whether the parties can agree upon alternative ways to identify documents withheld on the grounds of privilege or work product to reduce the burdens of such identification.
 - Whether the parties will enter into a Fed. R. Evid. 502(d) Stipulation and Order that addresses inadvertent or agreed production.

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

PRO-FOOTBALL, INC.,)
)
Plaintiff,)
)
v.) Case No. 1:14-cv-01043-GBL-IDD
)
AMANDA BLACKHORSE, *et al.*,)
)
Defendants.)

MEMORANDUM OPINION AND ORDER

THIS MATTER is before the Court on two sets of cross-motions for summary judgment. First, Plaintiff Pro-Football, Inc. (“PFI”), Defendants Amanda Blackhorse, Marcus Briggs-Cloud, Phillip Gover, Jillian Pappan, and Courtney Tsotigh (“Blackhorse Defendants”), and the United States of America filed cross-motions for summary judgment on PFI’s claims challenging the constitutionality of Section 2(a) of the Lanham Act (Counts III–VI) (Docs. 54, 105, and 108). Second, Blackhorse Defendants and PFI filed cross-motions for summary judgment on PFI’s claims contesting the Trademark Trial and Appeal Board’s (“TTAB”) Order cancelling the registrations of six of PFI’s trademarks on the grounds that they consisted of matter that “may disparage” Native Americans and bring them into contempt or disrepute, and that the defense of laches does not bar the claims (Counts I, II, and VII) (Docs. 69 and 79). This case concerns Blackhorse Defendants’ petition to cancel the registration of six trademarks owned by PFI on the grounds that the marks consisted of matter that “may disparage” a substantial composite of Native Americans and bring them into contempt or disrepute under Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), at the time of their registrations (1967, 1974, 1978, and 1990).

There are two issues before the Court. The first issue is whether the Court should grant PFI's Motion for Summary Judgment on Constitutional Claims and deny the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America. PFI makes the following arguments: (1) Section 2(a) of the Lanham Act violates the First Amendment by restricting protected speech, imposing burdens on trademark holders, and conditioning access to federal benefits on restrictions of trademark owners' speech; (2) Section 2(a) of the Lanham Act is unconstitutionally vague in violation of the Fifth Amendment because it does not provide notice as to which marks "may disparage," it authorizes arbitrary and discriminatory enforcement, and it is impermissibly vague as-applied to PFI; and (3) the TTAB Order violates the Due Process and Takings Clauses of the Fifth Amendment because it deprives PFI of its property without due process and constitutes an unconstitutional taking of PFI's property.

The second issue is whether the Court should grant PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and deny Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint where PFI argues that (1) the record does not establish by a preponderance of the evidence that a substantial composite of Native Americans believe that the Redskins Marks consisted of matter that "may disparage" them at the time of their registrations (1967, 1974, 1978, and 1990), and (2) the defense of laches bars Blackhorse Defendants' claims.

The Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America. With regard to PFI's First Amendment challenge, the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions

for summary judgment filed by Blackhorse Defendants and the United States of America for two reasons. First, Section 2(a) of the Lanham Act does not implicate the First Amendment. Second, the federal trademark registration program is government speech and is therefore exempt from First Amendment scrutiny.

With regard to PFI's Fifth Amendment challenge, the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America for two reasons. First, Section 2(a) of the Lanham Act is not void for vagueness because (1) PFI cannot show that Section 2(a) is unconstitutional in all of its applications; (2) Section 2(a) gives fair warning of what conduct is prohibited; (3) Section 2(a) does not authorize or encourage "arbitrary and discriminatory enforcement"; and (4) Section 2(a) is not impermissibly vague as applied to PFI. Second, the Takings Clause and Due Process Clause claims fail because a trademark registration is not considered property under the Fifth Amendment.

The Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint. With regard to PFI's "may disparage" claim, the Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint because the (1) dictionary evidence; (2) literary, scholarly, and media references; and (3) statements of individuals and groups in the referenced group show that the Redskins Marks consisted of matter that "may disparage" a substantial composite of Native Americans during the relevant time period.

With regard to PFI's laches claim, the Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary

Judgment on Counts I, II, and VII of Complaint for two reasons. First, the “may disparage” claim is not barred by laches because Blackhorse Defendants did not unreasonably delay in petitioning the TTAB. Second, laches does not apply because of the public interest at stake.

BACKGROUND

The “Washington Redskins” are a well-known professional football team. The “Redskins” mark was first used by the “Washington Redskins” National Football League (“NFL”) franchise in 1933 when then-owner George Preston Marshall selected the name while the team was located in Boston, Massachusetts. “Redskins” was chosen to distinguish the football team from the Boston Braves professional baseball team.¹ (Compl. ¶ 35.) The team has used the name ever since. (*Id.* ¶ 34; Doc. 41 ¶ 34.) The United States Patent and Trademark Office (“PTO”) approved and registered the mark in 1967. (Doc. 56 at 1.) Five additional variations of “Redskins” trademarks were approved and registered between 1974 and 1990 (collectively “Redskins Marks”). The registrations of the Redskins Marks have been renewed repeatedly since 1967, with the most recent renewal occurring in 2015.² (Doc. 51 ¶ 8(a)–(f)). PFI owns, and has always owned, the Redskins Marks. (*Id.*) The Redskins Marks are:

1. Registration No. 0836122 (registered September 26, 1967) for the mark THE REDSKINS (stylized), shown below, for “entertainment services—namely, football exhibitions rendered in stadia and through the media of radio and television broadcasts,” in Class 41;

¹ “At the time the name ‘Redskins’ was chosen for the team, four players—Louis Weller, John Orien Crow, David Ward and Larry Johnson—and the team’s head coach William “Lone Star” Dietz identified themselves as Native Americans.” (Compl. ¶ 34.)

² Renewal is not a meritorious review of the registrability of trademark; instead it is merely an administrative mechanism to ensure that the trademark is current. To renew a trademark, the mark’s owner must file a combined declaration of use and application for renewal with the PTO under Sections 8 and 9 of the Lanham Act, 15 U.S.C. §§ 1058–1059.



2. Registration No. 0978824 (registered February 12, 1974) for the mark WASHINGTON REDSKINS, in typed drawing form, for “entertainment services—namely, presentations of professional football contests,” in Class 41;
3. Registration No. 0986668 (registered June 18, 1974) for the mark WASHINGTON REDSKINS and design, shown below, for “entertainment services—namely, presentations of professional football contests,” in Class 41;



4. Registration No. 0987127 (registered June 25, 1974) for the mark THE REDSKINS and design, shown below, for “entertainment services—namely, presentations of professional football contests,” in Class 41;



5. Registration No. 1085092 (registered February 7, 1978) for the mark REDSKINS, in typed drawing form, for “entertainment services—namely, presentations of professional football contests,” in Class 41; and

6. Registration No. 1606810 (registered July 17, 1990) for the mark REDSKINETTES, in typed drawing form, for “entertainment services, namely, cheerleaders who perform dance routines at professional football games and exhibitions and other personal appearances,” in Class 41.

The Redskins Marks have not evaded controversy. *See Walker v. Tex. Div., Sons of Confederate Veterans, Inc.*, 135 S. Ct. 2239, 2262 (2015) (Alito, J., dissenting) (describing the “Washington Redskins” as a controversial team name). For example, in 1971 and 1972, there were a host of newspaper articles detailing opposition to the name “Redskins” by some Native Americans. (Docs. 73-12–73-14; 73-29–73-38.) Similarly, in 1972 Leon Cook, President of the National Congress of American Indians (“NCAI”), among others, met with Edward Bennett Williams, the president of PFI, to explain that the team name was a slur; Williams reported the meeting to the NFL Commissioner the following day. (Doc. 71-3 at 5–6; Doc. 73-24 at 12–14; Doc. 73-25.) Also, a 1972 official game program referenced the controversy surrounding the team’s name. (Doc. 72-5 at 6.)

The registrability of the Redskins Marks has been litigated for over two decades. In 1992, Susan Harjo and six other Native Americans filed a petition to cancel the registrations of the Redskins Marks under Section 2(a) of the Lanham Act. Seven years later, the TTAB ruled that the Redskins Marks “may disparage” Native Americans when registered and ordered that the registrations of the marks be cancelled. *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907 (T.T.A.B. 1999). On appeal, the United States District Court for the District of Columbia reversed the TTAB, holding that (1) the TTAB’s finding of disparagement was unsubstantiated, and (2) the doctrine of laches precluded consideration of the case.

The case traversed back and forth between the district court and the D.C. Circuit, with the final outcome being that D.C. Circuit affirmed the district court’s ruling that laches barred the

claim.³ *Pro-Football, Inc. v. Harjo*, 565 F.3d 880 (D.C. Cir. 2009). The D.C. Circuit never addressed the TTAB's finding of disparagement on the merits.

On August 11, 2006, while *Harjo* was pending, Amanda Blackhorse, Marcus Briggs-Cloud, Phillip Cover, Jillian Pappan, and Courtney Tsotigh ("Blackhorse Defendants") filed a petition to cancel the same six registrations of the Redskins Marks. The TTAB suspended action in the *Blackhorse* case until the *Harjo* litigation concluded in 2009. The parties here have agreed that the entire *Harjo* record could be entered into evidence in the case before the TTAB. The parties also waived all non-relevance evidentiary objections to that evidence.

On June 18, 2014, the TTAB scheduled the cancellation of the registrations of the Redskins Marks under Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), finding that at the time of their registrations the marks consisted of matter that both "may disparage" a substantial composite of Native Americans and bring them into contempt or disrepute. *See Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516 (T.T.A.B. 2014). This action seeks a *de novo* review, pursuant to 15 U.S.C. § 1071(b), of the TTAB's decision, based on the TTAB *Blackhorse* record and the additional evidence the parties have submitted to this Court.

PFI asserts the following seven causes of action. In Count I, PFI seeks a declaration of non-disparagement. In Count II, PFI seeks a declaration of non-contempt or disrepute. Count III concerns PFI's claim that Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), violates the First Amendment. Count IV is PFI's claim that Section 2(a) of the Lanham Act is void for vagueness. Count V is PFI's claim that the TTAB Order violates the Due Process Clause of the Fifth Amendment. In Count VI, PFI claims that the TTAB Order violates the Takings Clause of the

³ See *Pro-Football, Inc. v. Harjo*, 284 F. Supp. 2d 96 (D.D.C. 2003), for the district court case initially reversing the TTAB; *Pro-Football, Inc. v. Harjo*, 415 F.3d 44 (D.C. Cir. 2005), for the D.C. Circuit case holding that the district court applied the wrong laches standard to at least one defendant; and *Pro-Football, Inc. v. Harjo*, 567 F. Supp. 2d 46 (D.D.C. 2008), for the district court case holding that laches barred the disparagement claim.

Fifth Amendment. Lastly, Count VII is PFI's claim that Blackhorse's petition to cancel the registrations of the Redskins Marks was barred by the doctrine of laches.

PFI and Blackhorse Defendants filed cross-motions for summary judgment on PFI's constitutional claims (Counts III–VI) (Docs. 54 & 105). The United States of America intervened and filed a motion for summary judgment on PFI's constitutional claims (Doc. 108), defending the constitutionality of Section 2(a) of the Lanham Act. Additionally, PFI and Blackhorse Defendants filed cross-motions for summary judgment on PFI's Lanham Act and laches claims (Counts I, II, and VII) (Docs. 69 & 79). Each motion is now before the Court.

STANDARDS OF REVIEW

A. Summary Judgment

Under Federal Rule of Civil Procedure 56, the Court must grant summary judgment if the moving party demonstrates that there is no genuine issue as to any material fact, and that the moving party is entitled to judgment as a matter of law. FED. R. CIV. P. 56(c).

In reviewing a motion for summary judgment, the Court views the facts in a light most favorable to the non-moving party. *Boitnott v. Corning, Inc.*, 669 F.3d 172, 175 (4th Cir. 2012) (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986)). Once a motion for summary judgment is properly made and supported, the opposing party has the burden of showing that a genuine issue of material fact for trial exists. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586–87 (1986); *Bouchat v. Balt. Ravens Football Club, Inc.*, 346 F.3d 514, 522 (4th Cir. 2003) (citations omitted). “[T]he mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no genuine issue of material fact.” *Emmett v. Johnson*, 532 F.3d 291, 297 (4th Cir. 2008) (quoting *Anderson*, 477 U.S. at 247–48).

A “material fact” is a fact that might affect the outcome of a party’s case. *Anderson*, 477 U.S. at 248; *JKC Holding Co. v. Wash. Sports Ventures, Inc.*, 264 F.3d 459, 465 (4th Cir. 2001). Whether a fact is considered to be “material” is determined by the substantive law, and “[o]nly disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment.” *Anderson*, 477 U.S. at 248; *Hooven-Lewis v. Caldera*, 249 F.3d 259, 265 (4th Cir. 2001).

A “genuine” issue concerning a “material” fact arises when the evidence is sufficient to allow a reasonable jury to return a verdict in the nonmoving party’s favor. *Res. Bankshares Corp. v. St. Paul Mercury Ins. Co.*, 407 F.3d 631, 635 (4th Cir. 2005) (quoting *Anderson*, 477 U.S. at 248). Rule 56(e) requires the nonmoving party to go beyond the pleadings and by its own affidavits, or by the depositions, answers to interrogatories, and admissions on file, designate specific facts showing that there is a genuine issue of material fact for trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986).

B. Review of TTAB Decision

15 U.S.C. § 1071(b)(1) “permits a party in a trademark suit to initiate a civil action in the place of an appeal of the TTAB’s determination to the Federal Circuit.” *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 155 (4th Cir. 2014). “In a § 1071(b) action, the district court reviews the record *de novo* and acts as the finder of fact. The district court has authority independent of the PTO to grant or cancel registrations and to decide any related matters such as infringement and unfair competition claims.” *Id.* (citing 15 U.S.C. § 1071(b)(1); *Durox Co. v. Duron Paint Mfg. Co.*, 320 F.2d 882, 883–84 (4th Cir. 1963)). Where a party to such an action exercises its right to supplement the TTAB record, the Court gives no deference to the TTAB’s findings. *Swatch*, 739 F.3d at 156.

ANALYSIS

The Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America. With regard to PFI's First Amendment challenge, the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America for two reasons. First, Section 2(a) of the Lanham Act does not implicate the First Amendment. Second, the federal trademark registration program is government speech and is therefore exempt from First Amendment scrutiny.

With regard to PFI's Fifth Amendment challenge, the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America for two reasons. First, Section 2(a) of the Lanham Act is not void for vagueness because (1) PFI cannot show that Section 2(a) is unconstitutional in all of its applications; (2) Section 2(a) gives fair warning of what conduct is prohibited; (3) Section 2(a) does not authorize or encourage "arbitrary and discriminatory enforcement"; and (4) Section 2(a) is not impermissibly vague as applied to PFI. Second, the Takings Clause and Due Process Clause claims fail because a trademark registration is not considered property under the Fifth Amendment.

The Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint. With regard to PFI's "may disparage" claim, the Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint because the (1) dictionary

evidence; (2) literary, scholarly, and media references; and (3) statements of individuals and groups in the referenced group show that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans during the relevant time period.

With regard to PFI’s laches claim, the Court DENIES PFI’s Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants’ Motion for Summary Judgment on Counts I, II, and VII of Complaint for two reasons. First, the “may disparage” claim is not barred by laches because Blackhorse Defendants did not unreasonably delay in petitioning the TTAB. Second, laches does not apply because of the public interest at stake.

A. Trademark Registration vs. Trademarks Themselves

As a threshold matter, throughout the pleadings the parties conflated the legal principles surrounding trademarks with those surrounding trademark *registration*. Just as Allen Iverson once reminded the media that they were wasting time at the end of the Philadelphia 76ers’ season “talking about *practice*” and not an actual professional basketball game,⁴ the Court is similarly compelled to highlight what is at issue in this case—trademark registration, not the trademarks themselves. It is the registrations of the Redskins Marks that were scheduled for cancellation by the TTAB’s decision, not the trademarks. In fact, the TTAB itself pointed out that it is only empowered to cancel the statutory *registration* of the marks under Section 2(a); it cannot cancel the trademarks themselves. See *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *1 (T.T.A.B. 2014) (citation omitted). Thus, regardless of this Court’s ruling, PFI can still use the Redskins Marks in commerce.

It is also important to identify the effect of federal trademark registration. A trademark is “any word, name, symbol, or device or any combination thereof used by any person to identify

⁴ See ESPN, *Original Allen Iverson Practice Rant*, YOUTUBE (May 7, 2012), <https://www.youtube.com/watch?v=d29VsG35DQM> (emphasis in original).

and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.” *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992). Federal law does not create trademarks. *See In re Trade-Mark Cases*, 100 U.S. 82, 92 (1879). Regardless of whether a mark is registered, the “right to a particular mark grows out of its use, not its mere adoption” *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (citation omitted); *see also Emergency One, Inc. v. Am. Fire Eagle Engine Co.*, 332 F.3d 264, 267 (4th Cir. 2003) (“To acquire ownership of a trademark it is not enough to have invented the mark first *or even to have registered it first*; the party claiming ownership must have been the first to *actually use the mark* in the sale of goods or services.” (emphasis added) (citation and internal quotation marks omitted)); 2 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 16:1 (4th ed. 2014) (same). Thus, use of a mark in commerce, by itself, creates a host of common law rights. *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) (explaining scope of common law trademark rights); *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 230 (4th Cir. 2002) (“Generally speaking, trademark protection is a common law right that arises from the use of a mark to identify the source of certain goods or services.” (citation omitted)); *see also Spartan Food Sys. v. HFS Corp.*, 813 F.2d 1279, 1282 (4th Cir. 1987); *Armand’s Subway, Inc. v. Doctor’s Assocs.*, 604 F.2d 849, 849 (4th Cir. 1979). The Lanham Act does, however, contain a cause of action for the enforcement of unregistered trademarks. *See* 15 U.S.C. § 1125(a).

The owner of a trademark can apply to register it with the PTO under the Lanham Act. *See* 15 U.S.C. § 1051. After reviewing an application, “[if] a trademark examiner believes that registration is warranted, the mark is published in the Official Gazette of the PTO” as well as the Principal Register. *B & B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1300 (2015) (citing

15 U.S.C. § 1062); *see also* 15 U.S.C. § 1057. Registration confers several benefits upon the owner of a mark in addition to those available at common law:

(1) constructive notice of the registrant's claim of ownership of the trademark; (2) *prima facie* evidence of the validity of the registration, of the registrant's ownership of the mark, and of his exclusive right to use the mark in commerce as specified in the certificate; (3) the possibility that, after five years, registration will become [incontestable] and constitute conclusive evidence of the registrant's right to use the mark; (4) the right to request customs officials to bar the importation of goods bearing infringing trademarks; (5) the right to institute trademark actions in federal courts without regard to diversity of citizenship or the amount in controversy; and (6) treble damage actions against infringing trademarks and other remedies.

Georator Corp. v. United States, 485 F.2d 283, 285 (4th Cir. 1973) (citing 15 U.S.C. § 1051 *et seq.*), *abrogated on other grounds by NCNB Corp. v. United States*, 684 F.2d 285 (4th Cir. 1982). Incontestability and proof of ownership are among the most significant advantages of registration. *See Brittingham v. Jenkins*, 914 F.2d 447, 452 (4th Cir. 1990); *see also B & B Hardware*, 135 S. Ct. at 1300 ("The Lanham Act confers important legal rights and benefits on trademark owners who register their marks." (citation and internal quotation marks omitted)).

What is at issue here is the registration of the Redskins Marks and the benefits associated with registration, not the use of the marks.

B. Constitutional Challenges

1. PFI's First Amendment Challenge Fails

With regard to PFI's First Amendment challenge (Count III), the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America for two reasons. First, Section 2(a) of the Lanham Act does not implicate the First Amendment. Second, under the Supreme Court's decision in *Walker v. Tex. Div., Sons of Confederate Veterans, Inc.*, 135 S. Ct. 2239 (2015), the Fourth Circuit's mixed/hybrid speech test, and *Rust v. Sullivan*, 500

U.S. 173 (1991), the federal trademark registration program is government speech and is therefore exempt from First Amendment scrutiny.

a. Cancellation of Trademark Registration Does Not Implicate PFI's First Amendment Rights

The Court GRANTS Blackhorse Defendants and the United States' cross-motions for summary judgment on the constitutional claims and DENIES PFI's Motion for Summary Judgment on Constitutional Claims as to PFI's First Amendment claim (Count III) because Section 2(a) of the Lanham Act does not implicate the First Amendment. Section 2(a) provides, in pertinent part, that a trademark shall be refused registration if it "consists of or comprises immoral, deceptive, or scandalous matter; or matter which *may disparage* or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute" 15 U.S.C. § 1052(a) (emphasis added).

The Federal Circuit and Fifth Circuit have both held that the PTO's refusal to register an applicant's mark does not infringe upon the mark owner's First Amendment rights as "[no] conduct is proscribed[] and no tangible form of expression is suppressed." *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981); *see Test Masters Educ. Servs. v. Singh*, 428 F.3d 559, 578 n.9 (5th Cir. 2005); *see also In re Fox*, 702 F.3d 633, 640 (Fed. Cir. 2012) (affirming refusal to register mark under Section 2(a) because it was vulgar); *In re Boulevard Ent., Inc.*, 334 F.3d 1336, 1343 (Fed. Cir. 2003) (affirming refusal to register marks under Section 2(a) because they were immoral or scandalous); *Ritchie v. Simpson*, 170 F.3d 1092, 1099 (Fed. Cir. 1999) ("denial of federal registration of a mark does not prohibit the use of that mark"); *In re Mavety Media Grp.*, 33 F.3d 1367, 1374 (Fed. Cir. 1994).

Nothing about Section 2(a) impedes the ability of members of society to discuss a trademark that was not registered by the PTO. Simply put, the Court holds that cancelling the

registrations of the Redskins Marks under Section 2(a) of the Lanham Act does not implicate the First Amendment as the cancellations do not burden, restrict, or prohibit PFI's ability to use the marks.

In support of its contention that Section 2(a) of the Lanham Act restricts speech, PFI cited a panoply of First Amendment cases in varying degrees of depth. The Court finds that many of the cases are distinguishable from the issue presented here as they involved a situation where speech was prohibited or burdened. For example, in *Clatterbuck v. City of Charlottesville*, 708 F.3d 549 (4th Cir. 2013), the Fourth Circuit held that a city ordinance which prohibited individuals from begging for money on Charlottesville's Downtown Mall was an unconstitutional restriction of protected speech. The present case does not concern a statute that prohibits or penalizes any speech as Section 2(a) of the Lanham Act does not restrict one's ability to engage in a particular form of speech.

PFI also cited *Sorrell v. IMS Health Inc.*, 131 S. Ct. 2653 (2011), to argue that Section 2(a) burdens the speech of trademark holders. At issue in that case was a Vermont statute that prohibited, absent the prescriber's consent, pharmacies from selling prescriber-identifying information, pharmacies from disclosing that information for marketing purposes, and pharmaceutical manufacturers from using the information for marketing purposes. *See id.* at 2359–61. The Supreme Court found the statute was unconstitutional because the restrictions were content and speaker-based burdens on protected expression. This case is distinguishable from *Sorrell* for the same reason that is distinguishable from *Clatterbuck*: Section 2(a) does not restrict any protected expression.

PFI argues that the cancellation of the registrations of the Redskins Marks “affects PFI's message in the ongoing public debate about the Washington Redskins' team name,” and what

PFI has to say in the debate is entitled to special protection under the First Amendment. (Doc. 56 at 7) (citing *Snyder v. Phelps*, 131 S. Ct. 1207, 1219 (2011)). *Snyder* is inapposite. *Snyder* involved a question of whether the First Amendment protected Westboro Baptist Church's ("Westboro") notorious picketing of soldiers' funerals. A jury had previously found Westboro liable under several state tort law claims for its picketing. The issue was whether the First Amendment shielded Westboro from tort liability. The Court held that the First Amendment precluded liability, explaining that Westboro's speech was in a public place on a matter of public concern and that the First Amendment prohibited finding Westboro liable for its speech. Here, there is no tort suit against PFI finding it liable for its speech. Section 2(a) does not so authorize. The only remedy being sought is the cancellation of the registrations of the Redskins Marks. An owner's ability to use the unregistered mark is unaffected.

PFI further contends that Section 2(a) of the Lanham Act should be closely scrutinized because although it may not prohibit speech outright, it may drive ideas from the marketplace. (Doc. 57 at 9) (citing *Simon & Schuster, Inc. v. Members of N.Y. State Crime Victims Bd.*, 502 U.S. 105, 116 (1991)). *Simon & Schuster* is distinguishable from this case as it involved a New York statute that required publishers to pay a fee to the State Crime Victims Board for any monies derived from the sales of books where criminals spoke of their conduct. *See Simon & Schuster*, 502 U.S. at 116. Because statutes that impose a financial burden on a speaker based on the content of their speech are unconstitutional, *see Leathers v. Medlock*, 499 U.S. 439, 447 (1991), the Supreme Court declared this New York Son of Sam law unconstitutional. The Court finds PFI's unsuccessful attempt to map incongruent First Amendment jurisprudence onto the Lanham Act unpersuasive as Section 2(a) imposes no financial penalty on speech—it simply cancels a trademark's registration; the speech itself is uninhibited.

Explaining the importance of the First Amendment, the Supreme Court declared:

The freedom of speech and of the press guaranteed by the Constitution embraces at the least the liberty to discuss publicly and truthfully all matters of public concern *without previous restraint or fear of subsequent punishment* Freedom of discussion, if it would fulfill its historic function in this nation, must embrace all issues about which information is needed or appropriate to enable the members of society to cope with the exigencies of their period.

Thornhill v. Alabama, 310 U.S. 88, 101 (1940) (emphasis added). In this nation under our Constitution, there is a “profound national commitment to the principle that debate on public issues should be *uninhibited, robust, and wide-open*” *N.Y. Times v. Sullivan*, 376 U.S. 254, 270 (1964) (emphasis added) (citations omitted). It is axiomatic that the “constitutional right of free expression is . . . intended to remove governmental restraints from the arena of public discussion, putting the decision as to what views shall be voiced largely into the hands of each of us” *Leathers*, 499 U.S. at 448–49 (citation and internal quotation marks omitted). Section 2(a) does nothing to offend these core constitutional principles.

Cancelling the registration of a mark under Section 2(a) of the Lanham Act does not restrict the public debate on public issues as the mark owner is still able to use the mark in commerce.⁵ Accordingly, the Court agrees with the Federal Circuit and Fifth Circuit and holds that Section 2(a) of the Lanham Act does not implicate the First Amendment.

⁵ The United States compared this issue to the common-law right to call one’s self by a name of one’s own choosing. (See Doc. 110 at 10–11.) Courts in California and New Mexico have both held that the denial of a name change request does not implicate the First Amendment as the petitioner may continue to call themselves whatever they please, regardless of whether the name warrants official approval. See *Petition of Variable for Change of Name v. Nash*, 144 N.M. 633, 635 (N.M. Ct. App. 2008); *Lee v. Superior Court*, 9 Cal. App. 4th 510 (Cal. 1992). The United States also cited another state court case, *In re Bacharach*, 344 N.J. Super. 126 (2001), where the court held that courts may reject name change requests on the ground that the name may be considered racist. *Id.* at 132. While certainly not binding, the Court finds these cases persuasive.

b. The Federal Trademark Registration Program is Government Speech and is Exempt from First Amendment Scrutiny

The Court GRANTS Blackhorse Defendants and the United States' cross-motions for summary judgment on the constitutional claims and DENIES PFI's Motion for Summary Judgment on Constitutional Claims as to PFI's First Amendment claim (Count III) because the federal trademark registration program is government speech and is thus exempt from First Amendment scrutiny.

As an initial matter, the Court finds that the federal trademark registration program is not commercial speech. Commercial speech is defined as "speech that does no more than propose a commercial transaction." *Harris v. Quinn*, 134 S. Ct. 2618, 2639 (2014) (citations and internal quotation marks omitted); *see also City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 423 (1993) (noting that the proposal of a commercial transaction is "the test for identifying commercial speech" (citation and internal quotation marks omitted)); *Briggs & Stratton Corp. v. Baldrige*, 728 F.2d 915, 917–18 (7th Cir. 1984) (explaining that the "hallmark of commercial speech" is that it "pertains to commercial transactions," including those "facilitated through the use of a trademark"). Marks approved through the federal trademark registration program are published in the Official Gazette of the PTO and the Principal Register in order to inform the public of marks registered with the federal government. The Principal Register does not propose a commercial transaction and therefore is not commercial speech.⁶

Both Blackhorse Defendants and the United States argue that the federal trademark registration program is government speech, while PFI contends that the program is a restriction of private speech. The Court holds that the program is government speech for three reasons.

⁶ A trademark, however, is commercial speech. Because trademarks are source-identifiers that "reduce the customer's cost of shopping and making purchasing decisions," *Dastar Corp. v. Twentieth Century Film Corp.*, 539 U.S. 23, 34 (2003), they necessarily pertain to commercial transactions and are thus commercial speech under *City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 423 (1993).

The Court finds that the factors articulated in the Supreme Court's decision in *Walker v. Tex. Div., Sons of Confederate Veterans, Inc.*, 135 S. Ct. 2239 (2015), and the Fourth Circuit's mixed/hybrid speech test in *Sons of Confederate Veterans, Inc. v. Comm'r of Va. Dep't of Motor Vehicles (SCV)*, 288 F.3d 610, 616 (4th Cir. 2002), weigh in favor of a finding that the federal trademark registration program is government speech. Furthermore, under *Rust v. Sullivan*, 500 U.S. 173 (1991), the federal trademark registration program is constitutional because the federal government may determine the contents and limits of programs that it creates and manages.

i. Walker Test

The Court finds that the federal trademark registration program is government speech under the Supreme Court's decision in *Walker*. *Walker* involved Texas' specialty license plate program. Groups may propose license plate designs with a slogan, graphic, or both, to the Department of Motor Vehicles Board ("the Board"). *Walker*, 135 S. Ct. at 2243. The Board "may refuse to create a new specialty license plate" for many reasons, including "if the design might be offensive to any member of the public . . . or for any other reason established by rule." TEX. TRANSP. CODE ANN. § 504.801(c). If approved, the license plate design becomes available for Texans to select and place on their vehicles. *See Walker*, 135 S. Ct. at 2243.

In 2009, the Sons of Confederate Veterans, Texas Division ("S.C.V. Texas"), applied to sponsor a specialty plate with a design that included a picture of the Confederate flag. *Id.* at 2245. The Board rejected the design because many members of the general public found the Confederate flag portion of the design to be offensive. *Id.* In 2012, S.C.V. Texas filed a federal lawsuit against the Board, claiming that its decision violated the First Amendment's Free Speech Clause. The district court entered judgment for the Board, while a Fifth Circuit panel held that

license plate designs are private speech and by rejecting S.C.V. Texas' design, the Board engaged in constitutionally forbidden viewpoint discrimination. *See id.*

The Supreme Court reversed the Fifth Circuit and held that Texas' specialty license plate program is government speech. The Court found that the program was government speech for three reasons. First, history shows that "insofar as license plates have conveyed more than state names and vehicle identification numbers, they long have communicated messages from the States." *Id.* at 2248 (citation omitted). Second, the public closely associates official state license plate designs with the state. *Id.* The Court further explained that Texas license plates "are[] essentially government IDs" and issuers of IDs "'typically do not permit' the placement on their IDs of 'messages with which they do not wish to be associated.'" *Id.* at 2249 (quoting *Pleasant Grove City, Utah v. Summum*, 555 U.S. 460, 471 (2009)). Third, Texas maintains "direct control" over the message conveyed on the plates as the Board must approve every specialty plate design. The Board has "actively exercised this authority" by rejecting designs. *Walker*, 135 S. Ct. at 2249. "This final approval authority allows Texas to choose how to present itself and its constituency." *Id.*

Here, the federal trademark program is government speech under the Supreme Court's analysis in *Walker*. The first *Walker* factor weighs in favor of government speech as registry with the federal trademark registration program communicates the message that the federal government has approved the trademark. *See* 15 U.S.C. §§ 1072, 1127. The second *Walker* factor weighs in favor of government speech because the public closely associates federal trademark registration with the federal government as the insignia for federal trademark registration, ®,⁷ is a manifestation of the federal government's recognition of the mark.

⁷ The owner of a federally registered trademark is not required to display the ® symbol with the trademark. *See* 15 U.S.C. § 1111.

Finally, the third *Walker* factor weighs in favor of government speech because the federal government exercises editorial control over the federal trademark registration program. Section 2 of the Lanham Act empowers the PTO to deny or cancel a mark's registration, and thus control what appears on the Principal Register, on a number of grounds, including any mark that:

(b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof;

(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States . . . ;

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely . . . to cause confusion . . . ;

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.

15 U.S.C. § 1052(b)–(e).⁸ Parties constantly litigate whether the TTAB properly exercised its discretion in cancelling or denying a mark's registration under § 1052. *See, e.g., Princeton Vanguard, LLC v. Frito-Lay N. Am., Inc.*, 786 F.3d 960 (Fed. Cir. 2015); *In re Trivita, Inc.*, 783 F.3d 872 (Fed. Cir. 2015); *In re Geller*, 751 F.3d 1355 (Fed. Cir. 2014).

Sitting en banc, the Fifth Circuit held that, “[T]he First Amendment does not prohibit the government, itself, from speaking, nor require the government to speak. Similarly, the First Amendment does not preclude the government from exercising editorial discretion over its own

⁸ Section 2(a) allows the PTO to cancel the registration of a mark that, among other things, “[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute” Because the constitutionality of Section 2(a) is at issue, it was omitted from the Court's analysis.

medium of expression.” *Muir v. Ala. Educ. Television Comm’n*, 688 F.2d 1033, 1044 (5th Cir. 1982) (citations omitted). By approving or denying registrations under Section 2(a) of the Lanham Act, the government is merely exercising editorial discretion over what is published in the Official Gazette of the PTO and in the Principal Register. Accordingly, the Court finds that the third *Walker* factor weighs in favor of finding that the federal trademark registration program is government speech.

Because all three *Walker* factors weigh in favor of government speech, the Court finds that the federal trademark registration program is government speech.

ii. Fourth Circuit’s Mixed/Hybrid Speech Test

The federal trademark registration program also qualifies as government speech under the Fourth Circuit’s mixed/hybrid speech test. In *SCV*, 288 F.3d 610 (4th Cir. 2002), the Fourth Circuit identified four instructive factors courts should look to in determining whether speech is that of the government:

- (1) “the central purpose of the program in which the speech in question occurs”;
- (2) “the degree of editorial control exercised by the government or private entities over the content of the speech”;
- (3) “the identity of the literal speaker”; and
- (4) “whether the government or the private entity bears the ultimate responsibility for the content of the speech[.]”

SCV, 288 F.3d at 618 (citations and internal quotation marks omitted).

The Court finds that the first factor, the central purpose of the program in which the speech in question occurs, weighs in favor of finding that the speech at issue here is government

speech. The government has long played a role in protecting trademarks.⁹ *See B & B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1299 (2015). In 1946, Congress created the Lanham Act in order to protect trademarks used in interstate and foreign commerce. *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 193 (1985) (citation omitted). The Lanham Act's federal trademark registration program was created to help protect marks. *See B & B Hardware*, 135 S. Ct. at 1299–1300.

The Fourth Circuit's analysis of the “central purpose” factor in *ACLU v. Tata*, 742 F.3d 563 (4th Cir. 2014), *vacated*, *Berger v. ACLU of N.C.*, No. 14-35, 2015 WL 2473457 (U.S. June 29, 2015), is particularly instructive. *Tata* concerned a question of whether North Carolina's specialty license plate program, including a “Choose Life” license plate, was government or private speech. The court found that because the central purpose of the program was “to allow North Carolina drivers to *express* their affinity for various special interests,” the purpose of the program weighed in favor of finding the speech at issue private. *Id.* at 572–73 (emphasis added); *see also SCV*, 288 F.3d at 619–20 (reasoning that the Virginia specialty plate program was in-part private speech because it allowed for “the private *expression* of various views” (emphasis

⁹ Describing the government's role in administering the federal trademark registration program, the Court of Customs and Patent Appeals explained:

Once a registration is granted, the responsibilities of the government with respect to a mark are not ended. The benefits of registration, in part with government assistance, include public notice of the mark in an official government publication and in official records which are distributed throughout the world, maintenance of permanent public records concerning the mark, availability of the Customs Service for blocking importation of infringing goods, access to federal courts where there is a presumption of validity of the registration (*e.g.*, that the mark is not immoral or scandalous), notices to the registrant concerning maintenance of the registration, and, to some extent, direct government protection of the mark in that the PTO searches its records and refuses registrations to others of conflicting marks. Apart from nominal fees, these costs are underwritten by public funds.

In re McGinley, 660 F.2d 481, 486 (C.C.P.A. 1981).

added)); *cf. Planned Parenthood of S.C. Inc. v. Rose*, 361 F.3d 786, 789–93 (4th Cir. 2004) (finding that the central purpose of South Carolina’s “Choose Life” license plate program was to “promote [South Carolina’s] preference for the pro-life position,” rendering it government speech).

Here, the purpose of the program is not for the expression of private views or interests. Such expression would lay in the creation of the mark itself, which is done by the owner by using the mark in commerce. Instead, the purpose of the federal trademark registration program is to provide federal protection to trademarks, in part achieved by providing notice to the public of what trademarks are registered through the Principal Register. *See* 15 U.S.C. §§ 1072, 1127. When the symbol for a federally registered trademark, ®, is affixed to a mark, it is a declaration by the federal government that it has approved that mark. Accordingly, the Court finds that the purpose of the program weighs towards it being considered government speech.

The Eighth Circuit’s decision in *Knights of the KKK v. Curators of the Univ. of Mo.*, 203 F.3d 1085 (8th Cir. 2000), supports this conclusion. That case involved an effort by the KKK to be recognized during the local National Public Radio (“NPR”) station’s underwriting acknowledgements. In finding that the underwriting acknowledgements are government speech, the court held that the acknowledgments are the station “speaking” by “airing its acknowledgments of funds received from certain parties to pay for specific” broadcasts. *Id.* at 1093. Just as the NPR station spoke by airing its acknowledgements, here the federal government speaks by declaring what trademarks it deems registrable.

The Court finds that the second factor, the degree of editorial control exercised by the government or private entities over the content of the speech, also weighs in favor of government speech. *SCV* is instructive here. In *SCV*, the Fourth Circuit found that Virginia did not assert

editorial control over the content of specialty plates because the Commissioner of the Virginia Department of Motor Vehicles rarely exercised his statutory discretion to reject a given plate design. 288 F.3d at 620–21. Also, courts have found that companies did not exercise editorial control over a sign erected by a city that thanked them, individually by name, for their sponsorship; the court instead found that editorial control was asserted by the city because the city decided which companies to place on the sign. *See Wells v. City & Cnty. of Denver*, 257 F.3d 1132, 1142 (10th Cir. 2001).

As explained above in the editorial control analysis under *Walker*, the PTO regularly rejects applications for registration on grounds enumerated in Section 2 of the Lanham Act. Accordingly, the Court finds that the second *SCV* factor weighs in favor of government speech.

The Court finds that the third factor, the identity of the literal speaker, weighs in favor of government speech. The Official Gazette of the PTO and the Principal Register are published by the PTO. Because the government is the literal speaker, this factor weighs in favor of finding the federal trademark registration program to be government speech.

The Court finds that the fourth factor, whether the government or the private entity bears the ultimate responsibility for the content of the speech, weighs in favor of private speech. When a trademark's federal registration is challenged, it is the mark owner, not the government, who must defend it. Moreover, in deciding this factor courts have considered whether the private entity had to apply or pay to avail itself to the benefits of a program. *See, e.g., ACLU v. Tata*, 742 F.3d 563, 574 (4th Cir. 2014), *vacated*, *Berger v. ACLU of N.C.*, No. 14-35, 2015 WL 2473457 (U.S. June 29, 2015); *Planned Parenthood of S.C. Inc. v. Rose*, 361 F.3d 786, 793–94 (4th Cir. 2004); *cf. Wells*, 257 F.3d at 1142 (finding that the fourth factor weighed in favor of a

sign being government speech because the city paid for security guards and video cameras to guard the display).

Here, the mark owners file an application for registration with the PTO. 15 U.S.C. § 1051. An application to register a mark must include, among other things, “the date of the applicant’s first use of the mark, the date of the applicant’s first use of the mark in commerce, the goods in connection with which the mark is used, and a drawing of the mark.” § 1051(a)(2). If a party petitions to cancel the registration of a mark, it is the mark owner who must defend it in the subsequent litigation. *See Wells*, 257 F.3d at 1142 (“As to the final . . . factor, this litigation is itself an indication that the City bears the ultimate responsibility for the content of the display.”).

Because the mark owners apply to avail themselves of the benefits of the federal trademark program and defend the registration of their marks in any subsequent litigation, the Court finds that the fourth factor weighs in favor of finding private speech.

Applying *SCV*’s instructive factors, the Court concludes that because three of the four factors weigh in favor of finding government speech, the federal trademark registration program is government speech. *Cf. ACLU v. Tata*, 742 F.3d 563, 574 (4th Cir. 2014) (concluding that speech was private after finding that three of the four *SCV* factors weighed in favor of finding the speech at issue to be private speech).

iii. Government May Determine Contents and Limits of Its Programs

The Court holds that the federal trademark registration program is constitutional because under *Rust v. Sullivan*, 500 U.S. 173 (1991), the government may determine the contents and limits of its programs. In *Rust*, the Supreme Court considered whether regulations restricting the use of funds by grantees under Title X of the Public Health Act, 42 U.S.C. §§ 300–300a-6 violated the First Amendment. *Id.* The regulations prohibited doctors from engaging in abortion counseling, referral, and activities advocating abortion as a means of family planning in Title X

projects. *See* 42 U.S.C. § 300a-6. They were free to perform abortions and engage in abortion advocacy through programs that were independent from their Title X projects. 42 C.F.R. § 59.9 (1989).

After considering a viewpoint discrimination challenge to the regulations, the Court upheld them because they were “designed to ensure that the limits of the federal program are observed.”¹⁰ *Rust*, 500 U.S. at 193. The Court explained that “when the Government appropriates public funds to establish a program it is entitled to define the limits of that program.” *Id.* at 194. The Government can “selectively fund a program to encourage certain activities it believes to be in the public interest, without at the same time funding an alternative program” without violating the Constitution. *Id.* at 193 (emphasis added). Moreover, a “legislature’s decision not to subsidize the exercise of a fundamental right does not infringe the right.” *Id.* (quoting *Regan v. Taxation with Representation of Wash.*, 461 U.S. 540, 549 (1983) (internal quotation marks omitted)). “A refusal to fund protected activity, without more, cannot be equated with the imposition of a ‘penalty’ on that activity.” *Rust*, 500 U.S. at 193 (quoting *Harris v. McRae*, 448 U.S. 297, 317 n.19 (1980) (internal quotation marks omitted)).

According to the Fourth Circuit, “*Rust* stands for the principle that when the government creates and manages its own program, it may determine the contents and limits of that program” without violating the First Amendment. *Planned Parenthood of S.C. Inc. v. Rose*, 361 F.3d 786, 796 (4th Cir. 2004) (“There is no First Amendment problem, for example, when a public school makes content-based decisions about its curriculum [] or when a public museum decides to display one work of art as opposed to another[.]” (citations omitted)). This is so because when

¹⁰ “In *Rust* the Court ‘did not place explicit reliance on the rationale that the counseling activities of the doctors . . . amounted to government speech; when interpreting the holding in later cases, however, [it] . . . explained *Rust* on this understanding.’” *Planned Parenthood of S.C. Inc. v. Rose*, 361 F.3d 786, 796 (4th Cir. 2004) (quoting *Legal Servs. Corp. v. Velazquez*, 531 U.S. 533, 541 (2001)).

the government speaks to promote its own policies or advocate for a particular idea, it is ultimately the electorate who holds the government accountable. *See Bd. of Regents of Univ. of Wis. Sys. v. Southworth*, 529 U.S. 217, 235 (2000).

The Supreme Court's decision in *Agency for Int'l Dev. v. Alliance for Open Soc'y Int'l, Inc. (Open Society)*, 133 S. Ct. 2321 (2013), also provides this Court with guidance. *Open Society* involved a federal grant program to help fund the fight against HIV/AIDS. Distribution of grant funds was contingent upon applicants adopting a "policy explicitly opposing prostitution and sex trafficking." *Id.* at 2324. In holding that requirement unconstitutional under the First Amendment, the Court stated that the mandate required the grantee to "pledge allegiance to the Government's policy of eradicating prostitution," even during times when grant funds were not being used. *Id.* at 2332. Because the requirement affected "protected conduct outside the scope of the federally funded program," *Rust*, 500 U.S. at 197, it was ruled unconstitutional.

Here, the federal trademark registration program's requirement that a mark cannot receive federal trademark protection if it "may disparage" is well within the constitutional boundaries set forth in *Rust* and reaffirmed in *Open Society*. PFI's suggestion that this requirement is beyond the scope of the program demonstrates a fundamental misunderstanding of the Supreme Court's decision in *Rust* and the Fourth Circuit's opinion in *Planned Parenthood*: when the government creates and manages its own program, it may determine the contents and limits of that program.¹¹ Congress has decided that marks that "may disparage" shall not receive the benefits of federal registration. It is well within its power to do so. Affirming the denial of federal registration of a mark under Section 2(a), the United States Court of Customs and Patent Appeals, the Federal Circuit's predecessor, stated:

¹¹ *See supra* n.9 (describing the responsibilities of the government in the trademark registration program).

In providing that marks comprising scandalous matter not be registered, Congress expressed its will that such marks not be afforded the statutory benefits of registration. We do not see this as an attempt to legislate morality, but, rather, *a judgment by the Congress that such marks not occupy the time, services, and use of funds of the federal government.*

In re McGinley, 660 F.2d 481, 486 (C.C.P.A. 1981) (emphasis added); *see also In re Fox*, 702 F.3d 633, 640 (Fed. Cir. 2012) (observing that the denial of registration means that the applicant will not be able to “to call upon the resources of the federal government in order to enforce that mark”).

Similar to how the doctors in *Rust* could engage in abortion related-activities through programs independent of their Title X projects, mark owners are free to use marks that “may disparage” outside of the federal trademark registration program. Participation in the program is not compulsory. As stated earlier, the right to trademark protection arises in common law and is not a creature of the federal government. *See Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 230 (4th Cir. 2002). Accordingly, the Court holds that it is within the discretion of the federal government to deny registration to marks that “may disparage.”

In conclusion, the Court holds that the federal trademark registration program is government speech under the government speech tests set forth by the Supreme Court in *Walker* and the Fourth Circuit in *SCV*, and the Supreme Court’s decision in *Rust*. The Free Speech clause does not regulate government speech, *see Pleasant Grove City, Utah v. Sumnum*, 555 U.S. 460, 467 (2009), and government speech is exempt from First Amendment scrutiny. *See Johanns v. Livestock Mktg. Assn.*, 544 U.S. 550, 553 (2005). Because the federal trademark registration program is government speech, it is exempt from First Amendment scrutiny. Accordingly, the Court holds that as to PFI’s First Amendment claim (Count III), PFI’s Motion for Summary Judgment on Constitutional Claims must be DENIED and Blackhorse Defendants

and the United States' cross-motions for summary judgment on the constitutional claims must be GRANTED.

2. PFI's Fifth Amendment Challenge Fails

With regard to PFI's Fifth Amendment challenge, the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment on the constitutional claims filed by Blackhorse Defendants and the United States of America for two reasons. First, Section 2(a) of the Lanham Act is not void for vagueness because (1) PFI cannot show that Section 2(a) is unconstitutional in all of its applications; (2) Section 2(a) gives fair warning of what conduct is prohibited; (3) Section 2(a) does not authorize or encourage "arbitrary and discriminatory enforcement"; and (4) Section 2(a) is not impermissibly vague as applied to PFI. Second, the Takings Clause and Due Process Clause claims fail because a trademark registration is not considered property under the Fifth Amendment.

a. Section 2(a) of the Lanham Act is Not Void for Vagueness

The Court holds that Section 2(a) of the Lanham Act is not void for vagueness. PFI asserts both a "facial" and an "as-applied" constitutional challenge to Section 2(a) on the basis that it is vague. A statute is void for vagueness under the Fifth Amendment's Due Process Clause when it "fails to provide a person of ordinary intelligence fair notice of what is prohibited, or is so standardless that it authorizes or encourages seriously discriminatory enforcement." *United States v. Williams*, 553 U.S. 285, 304 (2008). The void-for-vagueness doctrine ensures that statutes and regulations give a "person of ordinary intelligence a reasonable opportunity to know what is prohibited, so that he may act accordingly." *Grayned v. City of Rockford*, 408 U.S. 104, 108–09 (1972); *see also Hill v. Colorado*, 530 U.S. 703, 732 (2000).

“The degree of vagueness that the Constitution tolerates—as well as the relative importance of fair notice and fair enforcement—depends in part on the nature of the enactment.” *Village of Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489, 498 (1982). Economic regulation is “subject to a less strict vagueness test.” *Id.* Moreover, “[t]he Court has also expressed greater tolerance of enactments with civil, rather than criminal, penalties because the consequences of imprecision are qualitatively less severe.” *Id.* at 498–99; *see Nat’l Endowment for the Arts v. Finley*, 524 U.S. 569, 589 (1998) (noting that criminal statutes are subject to more stringent void-for-vagueness reviews); *Ridley v. Mass. Bay Transp. Auth.*, 390 F.3d 65, 95–96 (1st Cir. 2004) (citations omitted) (“vagueness concerns are more pressing when there are sanctions (such as expulsion) attached to violations of a challenged regulation”).

In this case, Section 2(a) of the Lanham Act does not prohibit speech, nor does it impose civil or criminal penalties. Accordingly, the Court now applies a relaxed vagueness review standard. *See Finley*, 524 U.S. at 589.

i. Facial Void-for-Vagueness Challenge

The Court holds that PFI’s facial void for vagueness challenge fails because PFI cannot show that Section 2(a) is unconstitutional in all of its applications. Under *United States v. Salerno*, 481 U.S. 739 (1987), a plaintiff can only succeed in a facial challenge by “establish[ing] that no set of circumstances exists under which the [statute] would be valid.” *Id.* at 745; *see also Wash. State Grange v. Wash. State Republican Party*, 552 U.S. 442, 449 (2008). Because PFI cannot possibly demonstrate that every conceivable set of words, symbols, or combination thereof would be invalid under Section 2(a), PFI’s facial void-for-vagueness challenge must fail.

ii. Fair Warning

The Court holds that Section 2(a) gives “people of ordinary intelligence a reasonable opportunity to understand what conduct it prohibits.” *Hill v. Colorado*, 530 U.S. 703, 732 (2000). The Constitution does not require “perfect clarity and precise guidance.” *Ward v. Rock Against Racism*, 491 U.S. 781, 794 (1989). Courts will look to dictionary definitions to help determine whether a statute is impermissibly vague. *See Wag More Dogs, LLC v. Cozart*, 680 F.3d 359, 371 (4th Cir. 2012).

Section 2(a) states that a mark “shall be refused registration on the principal register” if it “consists of or comprises . . . matter which may disparage . . . persons.” 15 U.S.C. § 1052(a). The Court holds that this language gives fair warning as to what it governs. Not only do the parties agree that at the time the Lanham Act was enacted, multiple dictionaries contained “materially identical definitions of ‘disparage,’” (Doc. 56 at 19 n.14), but the Supreme Court has used the term in its Establishment Clause jurisprudence. Setting forth the test under the Establishment Clause to determine the scope of prayer permitted to commence a legislative session, the Court held, “The content of the prayer is not of concern to judges where, as here, there is no indication that the prayer opportunity has been exploited to proselytize or advance any one, *or to disparage any other*, faith or belief.” *Marsh v. Chambers*, 463 U.S. 783, 794–95 (1983) (emphasis added); *see also Town of Greece v. Galloway*, 134 S. Ct. 1811, 1823–24 (2014) (applying *Marsh* disparagement test). If the Supreme Court found “disparage” to be an appropriate term to use in a test for the Establishment Clause as recently as last year, the Court declines PFI’s invitation to now find the term vague in the context of trademark registration.

iii. Arbitrary and Discriminatory Enforcement

The Court holds that the Lanham Act does not authorize or encourage “arbitrary and discriminatory enforcement” of Section 2(a). A statute authorizes or encourages arbitrary and discriminatory enforcement when there are minimal guidelines that indicate what the law applies to. *See Kolender v. Lawson*, 461 U.S. 352, 358 (1983) (citation and internal quotation marks omitted); *Grayned v. City of Rockford*, 408 U.S. 104, 108 (1972). Contrary to PFI’s contention, the Court finds that the PTO sets forth sufficient guidelines that identify which matters “may disparage” under Section 2(a). Among other things, the PTO publishes the letters of Examining Attorneys’ decisions to approve or deny registration on its website. The PTO has also published instructions for Examining Attorneys in its Trademark Manual of Examining Procedure (“T.M.E.P.”). (*See* Doc. 106 at 23.) T.M.E.P. § 1203(b) addresses the “may disparage” portion of Section 2(a). Furthermore, the PTO has published a definition of its test for disparagement in a precedential decision.¹² *See Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *35 (T.T.A.B. 1999).

The Court finds that these guidelines are sufficient to identify which matters “may disparage” under Section 2(a) and thus do not authorize or encourage arbitrary and discriminatory enforcement.

iv. Vagueness as-applied to PFI

The Court holds that Section 2(a) is not impermissibly vague as applied to PFI because PFI had reason to know that its marks “may disparage” when they were initially registered. PFI argues that “[w]ith only the vague text of Section 2(a) to guide it, PFI could not have reasonably understood that the Redskins Marks would fall within the purview of Section 2(a).” (Doc. 56 at

¹² A trademark consists of matter that “may disparage” if the matter might “dishonor by comparison with what is inferior, slight, deprecate, degrade, or affect or injure by unjust comparison.” *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *35 (T.T.A.B. 1999).

22.) However, when it applied to register the Redskins Marks, PFI was fully on notice that its marks contained matter that “may disparage.” Several dictionaries before and during the time PFI obtained its registrations stated that “redskin” is an offensive term. (Doc. 56 at 2, ¶ 1.) In fact, PFI’s expert linguist, David Barnhart, stated that in 1967, 1975, and 1985 the term “redskin” “certainly might be offensive.” (*Id.* ¶ 5.)

Further, the PTO has shown no inconsistency regarding “redskins” as a term that “may disparage.” Since 1992, Examining Attorneys have refused at least twelve applications because “redskins” “may disparage.” *See* Thompson Decl. Exs. 1–12. Seven of the refusals involved PFI applications for registration. *See id.* Exs. 1–7.

Because PFI has known since 1967, based at least on contemporary dictionary definitions, that its marks using the term “redskin” “may disparage” and because it has failed to show a pattern of inconsistency at the PTO, the Court holds that Section 2(a) is not impermissibly vague as-applied to PFI.

In sum, the Court holds that Section 2(a) of the Lanham Act is not void for vagueness for four reasons. First, because PFI has not supported a facial void-for-vagueness challenge. Second, because Section 2(a) gives fair warning to the conduct under its purview. Third, because the PTO’s guidelines concerning what “may disparage” neither encourage nor authorize arbitrary and discriminatory enforcement. Fourth, because PFI has not supported an as-applied vagueness challenge.

Accordingly, regarding PFI’s claim that Section 2(a) of the Lanham Act is void for vagueness (Count IV), the Court DENIES PFI’s Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment on the constitutional claims filed by Blackhorse Defendants and the United States of America.

b. PFI's Takings Clause and Due Process Clause Claims Fail

The Court holds that PFI's Takings Clause and Due Process Clause claims fail because PFI has no property interest in the registration of its marks. "The Takings Clause prohibits the taking of private property for public use, without just compensation." *Cherry v. Mayor of Baltimore City*, 762 F.3d 366, 374 (4th Cir. 2014) (citing U.S. CONST. AMENDS. V, XIV). The Fifth Amendment's Due Process Clause guarantees that "[n]o person shall . . . be deprived of life, liberty, or property, without due process of law" U.S. CONST. AMEND. V.

In *In re Int'l Flavors & Fragrances Inc.*, 183 F.3d 1361, 1366 (Fed. Cir. 1999), the Federal Circuit held that a trademark registration (as opposed to the underlying trademark) does not constitute a property interest under the Fifth Amendment.¹³ Because PFI has no property interest in the registration of its marks as the Redskins Marks' registrations are not property under the Fifth Amendment, PFI's Takings Clause and Due Process Clause claims must fail. Accordingly, as to PFI's Takings Clause (Count VI) and Due Process Clause (Count VII) claims, the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America.

C. Lanham Act Challenges

With regard to PFI's "may disparage" claim (Count I), the Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint because the (1) dictionary evidence, (2) literary, scholarly, and media references, and (3) statements of individuals and groups in the referenced group show that the Redskins Marks consisted of matter that "may

¹³ As has been repeated several times, mark owners retain ownership of their trademarks even once the registration has been cancelled. See *Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 537 (2005).

disparage” a substantial composite of Native Americans during the relevant time period (1967, 1974, 1978, and 1990).

Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), provides that registration should be denied to any mark that “[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute” *Id.* The TTAB has established a two-part test to determine whether a mark contains matter that “may disparage.” The parties agree that the test in this case is as follows:

1. What is the meaning of the matter in question, as it appears in the marks and as those marks are used in connection with the goods and services identified in the registrations?
2. Is the meaning of the marks one that may disparage Native Americans?

See Blackhorse v. Pro-Football, Inc., 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *4 (T.T.A.B. 2014) (citations omitted); *see also In re Geller*, 751 F.3d 1355, 1358 (Fed. Cir. 2014). This inquiry focuses on the registration dates of the marks at issue. *Blackhorse*, 2014 WL 2757516, at *4 (citations omitted). Here, the registration dates are 1967, 1974, 1978, and 1990.

When answering the second question, whether the term “redskins” “may disparage” Native Americans, courts should look to the views of Native Americans, not those of the general public. *Id.* Moreover, *Blackhorse* Defendants are only required to show that the marks “may disparage” a “substantial composite” of Native Americans. *See Geller*, 751 F.3d at 1358 (citations omitted). A substantial composite is not necessarily a majority. *See In re Boulevard Ent., Inc.*, 334 F.3d 1336, 1340 (Fed. Cir. 2003) (citing *In re McGinley*, 660 F.2d 481, 485 (C.C.P.A. 1981)); *In re Mavety Media Grp.*, 33 F.3d 1367, 1370 (Fed. Cir. 1994) (citation omitted).

Courts consider dictionary evidence when determining whether a term “may disparage” a substantial composite of the referenced group. In *In re Boulevard*, the Federal Circuit held that when a mark has only “one pertinent meaning[,] a standard dictionary definition and an accompanying editorial designation alone sufficiently demonstrate[] that a substantial composite of the general public” considers a term scandalous. 334 F.3d 1336, 1340–41 (Fed. Cir. 2003) (emphasis added) (citing 15 U.S.C. § 1052(a)) (finding that a mark had one “pertinent meaning” when all of the dictionaries consulted contained usage labels characterizing a term as “vulgar”).

Courts can use usage labels to decide whether a term “may disparage” a specific referenced group, as opposed to the general public in Section 2(a) “scandalous” actions, because usage labels denote when words are disparaging or offensive to the group referenced in the underlying term. See, e.g., *Symbols and Labels Used in Oxford Learner’s Dictionaries*, OXFORD LEARNER’S DICTIONARIES, <http://www.oxfordlearnersdictionaries.com/us/about/labels> (last visited July 6, 2015) (“offensive expressions are used by some people to address or refer to people in a way that is very insulting, especially in connection with their race, religion, sex or disabilities”).

Thus, using a dictionary’s usage labels to determine whether a term “may disparage” a substantial composite of Native Americans during the relevant time period is consistent with the Federal Circuit’s holding in *Boulevard*. See *In re Fox*, 702 F.3d 633, 635 (Fed. Cir. 2012) (“But where it is clear from dictionary evidence that the mark as used by the applicant in connection with the products described in the application invokes a vulgar meaning to a substantial composite of the general public, the mark is unregistrable.” (citation and internal quotation marks omitted)); *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114, at *5 (T.T.A.B. 2008) (“It has been held that, at least as to offensive matter, dictionary evidence alone

can be sufficient to satisfy the USPTO's burden, where the mark has only one pertinent meaning." (citing *Boulevard*, 334 F.3d at 1340–41)).

However, when dictionaries are not unanimous in their characterization of a term, additional evidence must be adduced to satisfy the PTO's burden. Reversing the TTAB's finding that a mark was scandalous based *solely* on discordant dictionary characterizations, the Federal Circuit explained:

In view of the existence of such an alternate, *non-vulgar definition*, the Board, *without more*, erred in concluding that in the context of the adult entertainment magazine, the substantial composite of the general public would necessarily attach to the mark BLACK TAIL the vulgar meaning of "tail" as a female sexual partner, rather than the admittedly non-vulgar meaning of "tail" as rear end. *In the absence of evidence as to which of these definitions the substantial composite would choose*, the PTO failed to meet its burden of proving that Mavety's mark is within the scope of § 1052(a) prohibition.

Mavety Media Grp., 33 F.3d at 1373–74 (emphasis added).

1. The Meaning of the Matter in Question is a Reference to Native Americans

The Court finds that the meaning of the matter in question in all six Redskins Marks—the term "redskins" and derivatives thereof—is a reference to Native Americans. PFI admits that "redskins" refers to Native Americans. The team has consistently associated itself with Native American imagery. First, two of the Redskins Marks contain an image of a man in profile that alludes to Native Americans, including one that also has a spear¹⁴ that alludes to Native Americans. Registration No. 0986668 (left) and Registration No. 0987127 depict:

¹⁴ See generally *How Native American Spears Have Been Used Through History*, INDIANS.ORG, <http://www.indians.org/articles/native-american-spears.html> (last visited July 6, 2015).



Second, the team's football helmets contain an image of a Native American in profile:



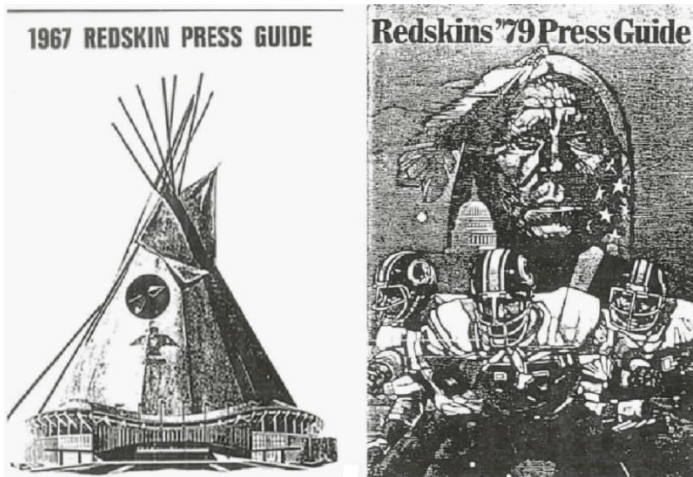
See *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *8 (T.T.A.B. 2014) (citation omitted). Third, the team's marching band wore Native American headdresses as part of their uniforms from at least 1967–1990:



Id.; see also Criss Decl. Ex. 118 at 0:51–1:30; Ex. 130, 132–37. Fourth, as shown below, the Redskins cheerleaders, the “Redskinettes,” also dressed in Native American garb and wore stereotypical black braided-hair wigs:¹⁵



Blackhorse, 2014 WL 2757516, at *8. Lastly, Washington Redskins’ press guides displayed Native American imagery:



Id.

As stated by the TTAB in *Harjo* and confirmed by the D.C. District Court:

¹⁵ See generally MAUREEN TRUNDLE SCHWARZ, *FIGHTING COLONIALISM WITH HEGEMONIC CULTURE: NATIVE AMERICAN APPROPRIATION OF INDIAN STEREOTYPES* (2013).

This is not a case where, through usage, the word “redskin(s)” has lost its meaning, in the field of professional football, as a reference to Native Americans in favor of an entirely independent meaning as the name of a professional football team. Rather, when considered in relation to the other matter comprising at least two of the subject marks and as used in connection with respondent’s services, “Redskins” clearly both refers to respondent’s professional football team and carries the allusion to Native Americans inherent in the original definition of that word.

Pro-Football, Inc. v. Harjo, 284 F. Supp. 2d 96, 127 (D.D.C. 2003) (quoting *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *41 (T.T.A.B. 1999)). The Court agrees and finds that because PFI has made continuous efforts to associate its football team with Native Americans during the relevant time period, the meaning of the matter in question is a reference to Native Americans.

2. The Redskins Marks “May Disparage” a Substantial Composite of Native Americans During the Relevant Time Period

The Court finds that the meaning of the marks is one that “may disparage” a substantial composite of Native Americans in the context of the “Washington Redskins” football team. The relevant period for the disparagement inquiry is the time at which the marks were registered. *Blackhorse*, 2014 WL 2757516, at *4 (citations omitted). Here, the Court focuses on the time period between 1967 and 1990. When reviewing whether a mark “may disparage,” the PTO does not, and practically cannot, conduct a poll to determine the views of the referenced group. *See In re Loew’s Theatres, Inc.*, 769 F.2d 764, 768 (Fed. Cir. 1985). Instead, three categories of evidence are weighed to determine whether a term “may disparage”: (1) dictionary definitions and accompanying editorial designations; (2) scholarly, literary, and media references; and (3) statements of individuals or group leaders of the referenced group regarding the term. *See Am. Freedom Def. Initiative v. Mass. Bay Transp. Auth.*, 781 F.3d 571, 585 (1st Cir. 2015) (dictionaries); *In re Geller*, 751 F.3d 1355, 1358 (Fed. Cir. 2014) (dictionaries and news

reports/articles); *In re Lebanese Arak Corp.*, 94 U.S.P.Q.2d 1215, 2010 WL 766488, at *5 (T.T.A.B. 2010) (dictionary); *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114, at *5 (T.T.A.B. 2008) (dictionaries and individual and group sentiment); *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264, 2006 WL 1546500, at *10–*14 (T.T.A.B. 2006) (dictionaries, literary and media references, and individual and group statements).

Furthermore, by using the term “may disparage,” Section 2(a) does not require that the mark holder possess an intent to disparage in order to deny or cancel a registration. *See Harjo*, 284 F. Supp. 2d at 125; *Blackhorse*, 2014 WL 2757516, at *9–*10 (citing *Heeb Media*, 2008 WL 5065114, at *8; *Squaw Valley*, 2006 WL 1546500)). Also, in order to be cancelled or denied registration, the marks must consist of matter that “may disparage” in the context of the goods and services provided. *See In re McGinley*, 660 F.2d 481, 485 (C.C.P.A. 1981).

a. Dictionary Evidence

First, the record evidence contains dictionary definitions and accompanying designations of “redskins” that weigh in favor of finding that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans when each of the six marks was registered. Dictionary evidence is commonly considered when deciding if a term is one that “may disparage.” *See Am. Freedom Def. Initiative v. Mass. Bay Transp. Auth.*, 781 F.3d 571, 585 (1st Cir. 2015); *In re Geller*, 751 F.3d 1355, 1358 (Fed. Cir. 2014); *In re Lebanese Arak Corp.*, 94 U.S.P.Q.2d 1215, 2010 WL 766488, at *5 (T.T.A.B. 2010); *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114, at *5 (T.T.A.B. 2008); *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264, 2006 WL 1546500, at *10–*14 (T.T.A.B. 2006).

The record contains several dictionaries defining “redskins” as a term referring to North American Indians and characterizing “redskins” as offensive or contemptuous:

1. *Webster's Collegiate Dictionary* 682 (1898) (“often contemptuous”);
2. *The Random House Dictionary of the English Language* 1204 (1966) (“Often Offensive”);
3. *Random House Dictionary of the English Language* 1204 (1967) (“Often Offensive”);
4. *Random House Dictionary of the English Language* 1204 (1973) (“Often Offensive”);
5. *Thorndike-Barnhart Intermediate Dictionary* 702 (2d ed. 1974) (“a term often considered offensive”);
6. *Oxford American Dictionary* 564 (1980) (“contemptuous”);
7. *The American Heritage Dictionary of the English Language: Second College Edition* 1037 (1982) (“Offensive Slang”);
8. *Webster's Ninth New Collegiate Dictionary* 987 (1983) (“usu[ally] taken to be offensive”);
9. *Merriam-Webster Collegiate Dictionary* (1983) (“usu[ally] taken to be offensive”);
10. *Collier's Dictionary* (1986) (“considered offensive”); and
11. *Oxford English Dictionary* 429 (2d ed. 1989) (“Not the preferred term”).

PFI attempts to rebut Blackhorse Defendants’ dictionary evidence by arguing that (1) that the usage label evidence is not relevant because none of the usage labels use the word “disparage”; (2) the modifiers “usually” or “often” make the labels conditional and thus irrelevant under Section 2(a); (3) usage labels are chosen at the dictionary editor-in-chief’s discretion with no industry standards for selection; and (4) many dictionaries considered “redskin” a neutral term and only began affixing negative usage labels to it within the last few decades. These arguments fail as they ignore the great weight the Federal Circuit affords to dictionary usage labels.

The Court finds that PFI’s argument that dictionary usage labels such as “offensive” and “contemptuous” do not implicate Section 2(a) because they do not label the term “disparaging” is unpersuasive for two reasons. First, the Federal Circuit and the TTAB use “offensive” and

“disparage” interchangeably when deciding whether a mark consists of matter that “may disparage.” *See, e.g., In re Geller*, 751 F.3d 1355 (Fed. Cir. 2014); *In re Lebanese Arak Corp.*, 94 U.S.P.Q.2d 1215, 2010 WL 766488 (T.T.A.B. 2010); *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114 (T.T.A.B. 2008); *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264, 2006 WL 1546500 (T.T.A.B. 2006). Furthermore, because the parties conceded that the test for “contempt or disrepute” under Section 2(a) is the same as the “may disparage” test, the distinction between “disparage” and “contemptuous” is one without a difference.

Second, the Court rejects PFI’s argument that the modifiers on the usage labels made them conditional and thus irrelevant. In *In re Tinseltown, Inc.*, 212 U.S.P.Q. 863, 1981 WL 40474 (T.T.A.B. 1981), an applicant attempted to register the mark BULLSHIT for personal accessories. The Examiner relied on dictionaries unanimously characterizing the mark as “usu[ally] considered vulgar” to conclude that it consisted of scandalous matter under Section 2(a). *See In re Mavety Media Grp.*, 33 F.3d 1367, 1372 (Fed. Cir. 1994) (citing *Tinseltown*, 1981 WL 40474, at *2). The TTAB affirmed the Examiner’s decision.

The Federal Circuit cited *Tinseltown* with approval on the unanimous usage label issue in *In re Mavety Media Grp.*, 33 F.3d 1367 (Fed. Cir. 1994). Notably, that case involved Section 2(a)’s scandalous provision, which requires a showing that the mark consists of or comprises immoral or scandalous matter. Section 2(a)’s “may disparage” prohibition sets a lower bar as it only requires a showing that the mark consists of or comprises matter that “*may* disparage.” Because the Federal Circuit cited *Tinseltown* with approval in *Mavety Media Grp.* and Section 2(a) only requires that a mark “*may* disparage,” the Court finds PFI’s argument regarding the relevance of usage labels unpersuasive.

Moreover, in the context of Section 2(a) scandalous actions, the Federal Circuit has found that dictionary definitions and their accompanying usage labels alone, if unanimous in their characterizations, sufficiently demonstrate that a substantial composite of the general public finds that a mark consists of or comprises scandalous matter.¹⁶ *Boulevard*, 334 F.3d at 1340–41. The Federal Circuit finds usage labels probative, and even dispositive, on that issue. The TTAB has recognized that the Federal Circuit’s approach to usage labels in scandalous matter actions is instructive when weighing usage labels in the “may disparage” context. *See In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114, at *5 (T.T.A.B. 2008). Moreover, the TTAB looks to dictionary definitions and usage labels when determining whether a mark “may disparage” under Section 2(a). *See, e.g., In re Lebanese Arak Corp.*, 94 U.S.P.Q.2d 1215, 2010 WL 766488, at *5 (T.T.A.B. 2010).

Furthermore, Dr. David Barnhart, one of PFI’s linguistics experts, said that characterizing “redskins” as “disparaging” from 1967 to 1985 is too strong a term to apply. Criss Decl. Ex. 14 at 181:9–12. However, he did declare that in that same time period, the term “certainly might be offensive.” *Id.* This weighs in favor of finding that “redskins” “may disparage” for two reasons. First, Dr. Barnhart stated that “disparage” required intent, Criss Decl. Ex. 14 at 181:13–182:3, and both parties agree that “may disparage,” which is the standard posed by Section 2(a)—*not* does disparage—does not require intent. Second, as explained above, in Section 2(a) “may disparage” cases both the Federal Circuit and the TTAB use “disparage” and derivatives of “offend” interchangeably. Thus, the Court finds that Dr. Barnhart’s declaration that “redskins”

¹⁶ The Court acknowledges that under the “immoral, deceptive, or scandalous” part of Section 2(a), the determination must be made “in the context of contemporary attitudes.” *See Boulevard*, 334 F.3d at 1340. While this is a different standard than what is required when determining whether a mark consists of or comprises matter that “may disparage,” the Court holds that this difference is immaterial because in “may disparage” actions, the Court can only consider evidence regarding the referenced group’s perception of a term that is contemporaneous with the mark’s registration.

“certainly might be offensive” is highly probative and weighs in favor of finding that “redskins” “may disparage” a substantial composite of Native Americans during the relevant time period.

Finally, the expert linguists from both parties, Dr. Geoffrey Nunberg for Blackhorse Defendants and Ronald Butters for PFI, both agree that dictionaries tend to lag in updating usage labels for ethnic slurs. (Doc. 71 at 70.) This shows that *Webster’s Collegiate Dictionary* (1898) (“often contemptuous”), *The Random House Dictionary of the English Language* (1966) (“Often Offensive”), and *The Random House Dictionary of the English Language* (1967) (“Often Offensive”) were not inaccurate in recognizing that the term was “often contemptuous” or “often offensive.” Instead, it suggests that the term “redskin” may have been viewed as offensive or contemptuous well in advance of the 1898 entry.

Because both Federal Circuit and TTAB precedent establish that usage labels are relevant, the Court rejects PFI’s challenges and finds that the record evidence of eleven dictionary definitions and their usage labels describing “redskins” as “offensive” or “contemptuous,” along with Dr. Barnhart’s testimony that “redskins” “might be offensive,” weigh towards finding that between 1967 and 1990, the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans.

b. Scholarly, Literary, and Media References

Second, the record evidence contains scholarly, literary, and media references that weigh in favor of finding that “redskins” “may disparage” a substantial composite of Native Americans when each of the six Redskins Marks was registered.¹⁷ Scholarly, literary, and media references evidence is often considered when evaluating whether a mark consists of or comprises matter that “may disparage.” See *In re Geller*, 751 F.3d 1355, 1358 (Fed. Cir. 2014) (citing articles

¹⁷ See Criss Decl. Exs. 29–55 for newspaper articles discussing the controversy surrounding the team name “Washington Redskins.”

from the Chicago Tribune and the Courier News to show that associating Islam with terrorism “may disparage” Muslims); *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114, at *5 (T.T.A.B. 2008) (referencing an article in the New York Observer to demonstrate that “heeb” “may disparage” the Jewish community); *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264, 2006 WL 1546500, at *10–*14 (T.T.A.B. 2006) (holding that the record evidence, including articles from more than ten newspapers and periodicals, sufficiently demonstrated that “squaw” “may disparage” Native Americans).

Here, there are several examples of scholarly, literary, and media references, including:

1. *Encyclopedia Britannica* 452 (1911) (“Other popular terms for the American Indians which have more or less currency are ‘red race,’ ‘Red man,’ ‘Redskin,’ the last not in such good repute as the corresponding German Routhäute, or French Peaux-rouges, which have scientific standing.”);
2. Erdman B. Palmore, *Ethnophaulisms and Ethnocentrism*, 67 AM. J. SOCI. 442, 442 (1962) (noting that “redskin” is an ethnophaulism¹⁸ used for Native Americans);¹⁹
3. Alan Dundes and C. Fayne Porter, *American Indian Student Slang*, 38 AM. SPEECH 270, 271 (1963) (stating that “[a]lmost all the students” at the Haskell Institute, a federally-operated post-secondary coeducational vocational training school for Native Americans, “resent being called redskins”);²⁰
4. Tom Quinn, *Redskins/Rednecks*, WASH. DAILY NEWS, Nov. 5, 1971 (“John Parker, . . . a Choctaw from Oklahoma who works for the Bureau of Indian Affairs, was indignant. ‘They should change the name,’ he said. ‘It lacks dignity, a haphazard slang word that refers to Indians in general but on a lower scale. It is the white people’s way of making a mockery, like they used to do to the blacks in the South.’”);

¹⁸ An ethnophaulism is a word used as an ethnic slur to refer to out-groups in hate speech. See Tirza Leader et al., *Complexity and Valence in Ethnophaulisms and Exclusion of Ethnic Out-Groups: What Puts the “Hate” Into Hate Speech?*, 96 J. PERS’Y & SOC. PSYCHOL. 170, 170 (2009) (citations omitted).

¹⁹ See generally *American Journal of Sociology*, U. CHI. PRESS J., <http://www.press.uchicago.edu/ucp/journals/journal/ajs.html> (last visited July 6, 2015) (“Established in 1895 as the first U.S. scholarly journal in its field, *American Journal of Sociology* remains a leading voice for analysis and research in the social sciences.” (emphasis added)).

²⁰ *About the American Dialect Society*, AM. DIALECT SOC’Y, <http://www.american-dialect.org/> (last visited July 6, 2015) (“The American Dialect Society, founded in 1889, is dedicated to the study of the English language in North America” and publishes the *American Speech* as a quarterly journal).

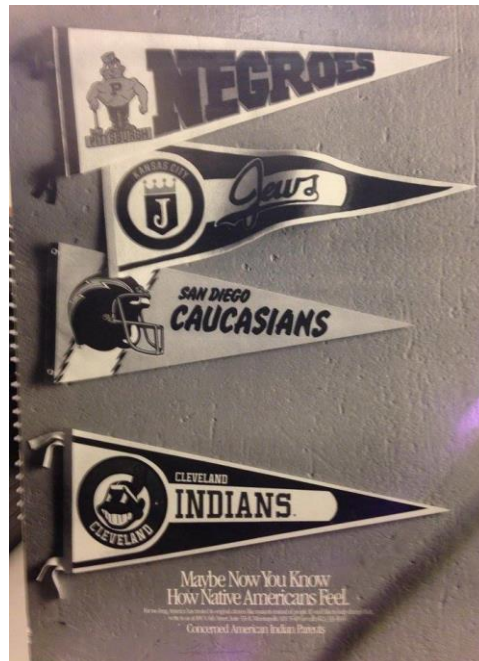
5. Tom Quinn, *Indians Are Starting to Fight Back*, WASH. DAILY NEWS, Jan. 26, 1972, at 72 (reporting that Hal Gross, director of the Indian Legal Information Development Service (“ILIDS”), wrote a letter to PFI president Edward Bennett Williams decrying the team name as “derogatory” and a “racial epithet”; noting that Laura Wittstock, a Seneca leader in ILIDS, described a newspaper advertisement depicting former-coach George Allen in Native headdress, with the caption “Hail to the Redskins: Washington has gained pride . . . even if we lost a little scalp out west” as “degrading” and “insulting”);



6. Russ White, *Williams’ Answer: What’s in a Name?*, WASH. POST, Jan. 27, 1972, at C1 (“Particularly annoying to 750,000 American Indians is the word ‘redskin.’ To them the word is a racist slur, no more acceptable than the word ‘nigger’ is to a black man and no more acceptable than the term ‘white trash’ is among the poor in the South.”);
7. Tom Quinn, *Redskins Face Suit*, WASH. DAILY NEWS, Feb. 18, 1972, at 107 (quoting Laura Wittstock calling the “Washington Redskins” team name an ethnic slur);
8. Shelby Coffey III, *Indians Open War on Redskins*, WASH. POST, Mar. 30, 1972 (noting that a delegation of eleven people “representing a variety of Indian organizations” met with team president Edward Bennett Williams, including LaDonna Harris, president of Americans for Indian Opportunity (“AIO”) and wife of Senator Fred Harris; the group sought to have Williams change the team name from the “derogatory” racial epithet “Washington Redskins”);
9. Editorial, *The Double Eagle Ticket*, BALT. SUN, July 20, 1972, at A14 (“[F]or several years Indian organizations have been trying to get [the Redskins] to change their name[.]”);
10. Paul Kaplan, *Moral Question: Do We Defame Native Americans?*, WASH. SUNDAY STAR & DAILY NEWS, Aug. 13, 1972, at C6 (recognizing that the team name “Redskins . . . is considered offensive by many Indians”; quoting a Native American woman protesting the

team name because Native Americans are the only “living ethnic group . . . used as a symbol”);

11. George Solomon, *Redskins Keep Name, Will Change Lyrics*, WASH. POST, July 18, 1972 (explaining that the Washington Redskins would retain their name but would change lyrics to their fight song, including references to “scalp ‘em,” because Native Americans groups had convinced the owner that the lyrics were offensive);
12. In 1972, the University of Utah dropped the nickname “Redskins” out of concern that it disparaged Native Americans. (*See* Doc. 71 at 20);
13. Alden Vaughan, *From White Man to Redskin: Changing Anglo-American Perceptions of the American Indian*, 87 AM. HIST. REV. 917, 942, 949 (1982) (“redskins” is an “epithet”);
14. Haig Bosmajian, *Defining the ‘American Indian’: A Case Study in the Language of Suppression*, in EXPLORING LANGUAGE 295 (3d ed. 1983) (“Our language includes various phrases and words which relegate the Indian to an inferior status,” including “Redskins”);
15. Robert Keller, *Hostile Language: Bias in Historical Writing About American Indian Resistance*, 9 J. AM. CULTURE 9, 15 (1986) (using “redskin” as an example of “deprecatory language”);
16. Rose Gutfeld, *A Native American Group Lobbies NFL’s Redskins to Change Name*, WALL ST. J., 1987 (Phil St. John, a Sioux and leader of a Minneapolis group called “Concerned American Indian Parents,” described “Redskins” as “probably the most racist Indian-related team name.”). The group used the following poster:



“Pittsburgh Negroes, Kansas City Jews, San Diego Caucasians, Cleveland Indians. Maybe Now You Know How Native Americans Feel.”²¹

17. Don Boxmeyer, *Humboldt Urged to Leave Indians in Peace*, ST. PAUL PIONEER DISPATCH, Nov. 29, 1987 (“‘The Washington Redskins are the worst,’ said Fred Veilleux, an Ujibway Indian ‘There is nothing more disrespectful or demeaning than to call an Indian a redskin. It would be like calling a black man a nigger.’”);
18. Mark Grossman, *Redskins Irks Indians; Protests Planned*, FAIRFAX J., Jan. 21, 1988 (Russell Sacks of NCAI said the team name “Washington Redskins” is “blatantly racist” and provides a negative image of Native Americans);
19. Clarence Page, *It’ll Be the Broncos v. a Racial Slur*, CHI. TRIB., Jan. 24, 1988 (“To Native Americans, ‘redskin’ is as offensive as . . . ‘wetback [is to Mexicans] [G]ood intentions are no excuse for insulting the offspring of this land’s original people.”);
20. Paul Sand, *Do Not Continue to Smear American Indians in Team Names*, ST. PAUL PIONEER PRESS DISPATCH, Jan. 28, 1988, at 17A (“In American folklore the redskin was a savage who was believed to possess animal-like prowess, who killed innocent white settlers, who raped white women, who kidnapped white children. To white supremists, red-pigmented skin was synonymous with subhuman brutality. The richness of Indian culture . . . can never be communicated by the symbolic gesture of naming a team the Redskins”);
21. Editorial, *‘Redskins’ is Racist*, STANFORD DAILY, Feb. 2, 1988 (explicating the derogatory nature of the “Washington Redskins” name);
22. Pat Helmberger, *Consider Religious Significance*, BEMIDJI PIONEER, Feb. 5, 1988 (“Why then is it so difficult to understand the feelings of Native American people? Why do we say, ‘How ridiculous!’ when we are asked to change the name of a team from the ‘Redskins’ to something that is non-offensive?”);
23. Tim Giago,²² Op-Ed., *If the Name Redskins Doesn’t Bother Team Owner, How About Blackskins*, LAKTOA TIMES, reprinted in SIOUX FALLS ARGUS LEADER, Feb. 21, 1988 (“Redskins is, and was intended to be, a very strong racial epithet against American Indians A common usage in . . . newspaper history was Redskinned nigger.”);
24. Erik Brady, *Indians: A People, Not a Nickname*, USA TODAY, Aug. 15, 1988 (Phil St. John and Susan Harjo (Cheyenne and Hodulgee Muscogee, respectively) explain how offensive “Washington Redskins” is to Native Americans);
25. Sam Thorp, *Mascot Could Be Part of a Bigger Problem*, THE PENN, Dec. 8, 1989, at 7 (“There have been groups that have tried to stop the professional sports teams [from using Native Americans as mascots]. The private owners have so far just been successful

²¹ Bob Bernotas, *D.C. Group Tackles the Redskins*, BALT. JEWISH TIMES, Feb. 12, 1988, at 64–65.

²² Author is an Oglala Lakota and served as the publisher of the Lakota Times.

at blocking their attempts. Let me say one thing about the word ‘redskin.’ It is the most derogatory word that can be used to describe an Indian. By actually calling an Indian a redskin you might get the same reaction from them as you would get if you called a black a nigger.”);

26. JAY COAKLEY, *SPORTS IN SOCIETY: ISSUES AND CONTROVERSIES* 206 (1990) (“The use of the name Redskins cannot be justified under any conditions. To many Native Americans, redskin is as derogatory as ‘nigger’ is for black Americans.”); and

27. IRVING LEWIS ALLEN, *UNKIND WORDS: ETHNIC LABELING FROM REDSKIN TO WASP* 3, 18 (1990) (identifying “redskin” as a slur for Native Americans).

Here, based on the evidence presented in *Geller*, *Heeb Media*, and *Squaw Valley*, the Court finds that the scholarly, literary, and media references evidence weighs in favor of finding that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans between 1967 and 1990. For example, as early as 1911, sources such as Encyclopedia Britannica contemplated the poor standing of the term “redskins.” The Court finds that Encyclopedia Britannica is a well-respected source. The Supreme Court has referenced Encyclopedia Britannica entries approximately 40 times since 1846, with over 25 of those references occurring before the first Redskins Mark was registered in 1967. *See, e.g., Kennedy v. Mendoza-Martinez*, 372 U.S. 144, 187 (1963) (“Magna Carta”); *Gaines v. Herman*, 65 U.S. 553, 581, 589 (1860) (“Inquisition”); *Moore v. Am. Transp. Co.*, 65 U.S. 1, 25 (1860) (“Navigation, Inland”). The Supreme Court has repeatedly relied on Encyclopedia Britannica as an authoritative source and this Court shall do the same.

Prior to the first mark’s registration in 1967, there were two renowned journals and an Encyclopedia Britannica reference that illustrate the term’s disfavor among Native Americans. Taken altogether, the Court finds that these three pieces of evidence establish that in 1967, the date of the first registration, evidence existed that showed that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans during the relevant time period.

c. Statements of Individuals or Group Leaders

Third, the record evidence contains statements of Native American individuals or leaders of Native American groups that weigh in favor of finding that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans during the relevant time period. The TTAB considers statements from individuals in the referenced group and leaders of organizations within that referenced group when it makes its “may disparage” finding. *See In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114, at *5 (T.T.A.B. 2008); *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264, 2006 WL 1546500, at *10–*14 (T.T.A.B. 2006).

Blackhorse Defendants reference a 1972 meeting between PFI’s president and a few major Native American organizations about the “Washington Redskins” team name to show that it “may disparage.” In March 1972, a delegation of Native American leaders met with the then-President of PFI, Edward Bennett Williams, to demand that the team change its name. The group included: (1) Leon Cook, President of NCAI;²³ (2) Dennis Banks, National Director of the American Indian Movement (“AIM”);²⁴ (3) Ron Aguilar, District Representative of the National Indian Youth Council (“NIYC”);²⁵ (4) LaDonna Harris, President of AIO;²⁶ (5) Richard

²³ NCAI was established in 1944 “in response to the termination and assimilation policies that the U.S. government forced upon tribal governments in contradiction of their treaty rights and status of sovereign nations.” The group is “one of the most important intertribal political organizations of the modern era. It has played a crucial role in stimulating Native political awareness and activism, provided a forum for debates on vital issues affecting reservations and tribes, overseeing litigation efforts, and organizing lobbying activities in Washington.” *See generally* NATIONAL CONGRESS OF AMERICAN INDIANS, www.ncai.org (last visited July 6, 2015).

²⁴ AIM was founded in 1968 in response to police violence against Native Americans. By the early 1970s, AIM “had become the country’s largest militant Indian organization with thousands of members, supporters and sympathizers from virtually all Indian tribes.” (Doc. 71, Ex. C). *See generally* AMERICAN INDIAN MOVEMENT, www.aimovement.org (last visited July 6, 2015).

²⁵ NIYC was founded in 1961 and claims to be the second oldest national American Indian organization. NIYC advocates diligently and continuously to ensure that every American Indian has equitable access to educational opportunities, health and social services, employment and civil rights. *See generally* NATIONAL INDIAN YOUTH COUNCIL, INC., www.niyc-alb.org/ (last visited July 6, 2015).

LaCourse, News Director in the Washington Bureau of the American Indian Press Association (“AIPA”);²⁷ (6) Laura Wittstock, Editor of Legislative Review for ILIDS;²⁸ (7) Hanay Geiogamah, Assistant to the Commissioner of Indian Affairs and the Youth Representative from the Bureau of Indian Affairs; and (8) Ron Petite, AIM. Criss Decl. Ex. 64 at 18:6–19:5; Ex. 66. Articles from the Washington Post and the Washington Daily News state that around the time of the meeting, NCAI’s membership was approximately 300,000–350,000 members. *See Blackhorse*, 2014 WL 275716, at *19–*20.

The next day, Williams wrote to NFL Commissioner Pete Rozelle to inform him about the meeting, noting that the “delegation of American Indian leaders . . . vigorously object[ed] to the continued use of the name Redskins.” Criss Decl. Ex. 3. Although Williams did not change the team name after the meeting, he did change the fight song and altered the cheerleaders’ outfits so that they were less stereotypical. (Doc. 71 at 19.)

The Court finds this meeting probative on the issue of whether the mark consisted of matter that “may disparage” a substantial composite of Native Americans during the relevant time period. Representatives of several prominent Native American organizations protesting the “Redskins” name is strong evidence that the term “may disparage.” Williams himself regarded the Native Americans he met with as “leaders,” rather than a group of individuals representing their own interests. (*Id.*)

²⁶ AIO was founded by LaDonna Harris in 1970 to advance the cultural, political, and economic lives of indigenous peoples in the United States and around the world. *See generally* AMERICANS FOR INDIAN OPPORTUNITY, www.aio.org (last visited July 6, 2015).

²⁷ AIPA was founded in 1970 to provide a news service and address issues common to Native American newspapers. *See* THEDA PERDUE *et al.*, NORTH AMERICAN INDIANS: A VERY SHORT INTRODUCTION 121 (2010).

²⁸ ILIDS was an educational and legislative oversight organization run by Harold Gross. (Doc. 71 at 17–18.)

In support of their argument that prominent Native American organizations and leaders in the Native American community have long opposed the use of the term “redskins” as the name of an NFL football team name, Blackhorse Defendants have submitted several declarations. Below are quotes from the declarations of four prominent Native Americans: Raymond Apodaca (former Area Vice President of NCAI and Governor for the Yselta Del Sur Pueblo); Leon Cook (former NCAI President and former Council Member and Tribal Administrator for the Red Lake Nation); Kevin Gover (prominent attorney, former Assistant Secretary of the Interior for Indian Affairs, and current Director of the Smithsonian Institution’s National Museum of the American Indian); and Suzanne Harjo (former Executive Director of the NCAI and 2014 recipient of the Presidential Medal of Freedom for her work on behalf of Native Americans). Each declaration affirms Blackhorse Defendants’ argument that from 1967 to 1990, the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans.

Raymond Apodaca was born in 1946 and is a member of the Yselta Del Sur Pueblo. Apodaca Decl. ¶ 2. Apodaca is a former Executive Director of the Texas Indian Commission, serving in that capacity from 1982–1989. *Id.* ¶ 7. From 1991–1992, he was the Tribal Administrator for the Yselta Del Sur Pueblo. *Id.* ¶ 5. At the time, Tribal Administrator was the highest administrative role within the tribe. *Id.* He also served as Tribal Governor for the same pueblo from 1990–1992. *Id.* Apodaca has been an active member of the NCAI since 1973. *Id.* ¶ 6. Apodaca declared that “NCAI is the oldest and the preeminent Native American organization, representing the majority of Native Americans on a variety of political, cultural, and social policy issues.” *Id.* ¶ 7.

He further stated that because NCAI represents the majority of Native Americans in federally recognized tribes, NCAI is the best organization to consult to discern an understanding

of Native Americans' position on an issue. *Id.* ¶ 12. He held several leadership positions in NCAI, including Area Vice President. Apodaca has thought that “redskin,” both the term and the professional football team name, was a racial slur against Native Americans since the 1960s. *Id.* ¶¶ 13–15.

Leon Cook was born in 1939 and is a member of the Red Lake Band of Chippewa Indians. Cook Decl. ¶ 2. Between 1970 and 1971, Cook worked for the Bureau of Indian Affairs. *Id.* ¶ 3. He has held various roles in the Red Lake Nation, including Tribal Council Representative, member of the tribal governing council, a Tribal Administrator, and Human Resources Director. *Id.* ¶ 4.

Cook has been an active member of NCAI since 1966 and was elected its president in 1971. *Id.* ¶¶ 5–6. While Cook was president of NCAI, 100–150 tribes were members. *Id.* ¶ 6. As president, Cook also served as the head of NCAI's Executive Council. *Id.* ¶ 8. Its role was to identify “issues of concern to the Native American membership and develop[] strategies to address those issues.” *Id.* Cook invited representatives of AIM, NIYC, and AIO to a 1972 Executive Council meeting. At this meeting, the four groups concluded that they shared a common interest in opposing the “Washington Redskins” name as it was “bigoted, discriminatory, and offensive to Native Americans.” *Id.* ¶ 10.

Cook further stated that in 1973, the NCAI General Assembly voted in favor of a resolution calling for the “Washington Redskins” to change the team name. *Id.* ¶ 14. According to Cook, NCAI has maintained its opposition to the name, formalizing the opposition with resolutions in the early 1990s. *Id.* ¶ 15. Finally, Cook declared, “Throughout my life, I have maintained my opposition to the Washington football team's name. I believe the use of the term

‘redskin’ in any context—professional athletics or otherwise—is derogatory, disparaging, and demeaning to Native Americans.” *Id.* ¶ 16.

Kevin Gover was born in 1955 and is a citizen of the Pawnee Indian Nation. Gover Decl. ¶¶ 2–3. Gover grew up thinking that “redskin” was a racial slur. *Id.* ¶ 4. Gover was occasionally called a “redskin” during his upbringing. He stated:

I vividly recall a time when I was in fourth grade when another child called me a “dirty redskin” on the playground. In addition, when I played for my junior high school football team, members of opposing teams sometimes would call me a “redskin” as a form of bullying or “trash talking” on the field.

Id. ¶ 5. Gover’s parents moved to Washington, D.C. in 1971 so his father could work for the AIO. Gover claimed that he remembers his parents and other Native Americans in their social circle “expressing their dismay that the local NFL football team used an ethnic slur against Native Americans as its team name.” *Id.* ¶ 6. This helped motivate Gover to write a letter to Edward Bennett Williams. In his letter, Gover noted that several hundred thousand Native Americans find the team name “Redskins” offensive and suggested that Williams change the team name to the “Washington Niggers” in order to stick with his “ethnic theme.” Gover Decl. Ex. A.

Finally, Susan Harjo’s declaration is also evidence of the disparaging nature of the “Washington Redskins” team name. Harjo was born in 1945 and is a citizen and enrolled member of the Cheyenne and Arapho Tribes of Oklahoma. Harjo Decl. ¶ 3. Harjo currently serves as the President and Executive Director of The Morning Star Institute, “a Native American cultural organization that is dedicated to Native Peoples’ traditional and cultural rights, historical research and arts promotion.” *Id.* ¶ 2. Growing up, Harjo and her family members often heard “redskin” being used as a slur. Harjo explained:

In the 1950s, my brothers, cousins and Cheyenne friends were often called “redskins” by white children at school . . . and sometimes by their parents. On one especially upsetting and painful occasion, an elementary school teacher argued with me about our family history and the Battle of Little Big Horn, and he angrily called me names, including “redskin.” He also slandered my great-great-grandfather, Chief Bull Bear, and called him a “redskin” and pushed me into a rosebush. I also remember shopkeepers calling me the epithet “redskin.” Altogether, white people probably called me the slur “redskin,” or called the group I was with “redskins,” at least 100 times.

Id. ¶ 5.

In 1962, Harjo was selected by the Business Committee of the Cheyenne and Arapho Tribes of Oklahoma to be a part of a tribal delegation to federal meetings in Washington, D.C. *Id.* ¶ 10. She recalled members of the delegation complaining about the “Redskins” signage and promotion in Washington, with tribal leaders saying something to the effect of, “No wonder such bad Indian policy comes out of D.C.; look what bad things they call us.” *Id.* Harjo also served as the Executive Director of the NCAI from 1984–1989. While in that role, Harjo “reflected and carried out the position of NCAI to oppose the name of the Washington NFL team and to call for its elimination.” *Id.* ¶ 13. Lastly, Harjo noted that she has always regarded “redskin” as a racial slur and deems it “the most awful slur that can be used to refer to Native American nations, tribes, and persons.” *Id.* ¶ 19.

The Court finds that the declarations from these prominent Native American individuals and leaders, replete with the actions of groups concerning the “Washington Redskins” football team and anecdotes of personal experiences with the term “redskin,” show that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans during the relevant time period.

Additional evidence that the marks consisted of matter that “may disparage” is found in the NCAI Resolution. In 1993, the Executive Council of the NCAI passed a resolution on the “Washington Redskins” team name. Founded in 1944, NCAI bills itself as “the oldest and largest intertribal organization nationwide representative of, and advocate for national, regional, and local tribal concerns.” Criss Decl. Ex. 108. The resolution provided, in pertinent part, that, “[T]he term REDSKINS is not and has never been one of honor or respect, but instead *it has always been* and continues to be a pejorative, derogatory, denigrating, offensive, scandalous, contemptuous, disreputable, disparaging and racist designation for Native American[s].” Criss Decl. Ex. 108 (emphasis added). The Court finds that this resolution is probative of NCAI’s constituent members’ collective opinion of the term “redskin” and PFI’s marks for many years, including when the last Redskins Mark was registered. *See In re Heeb Media LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114, at *1 (T.T.A.B. 2008) (affirming denial of registration of a mark based in part on excerpts from “individuals representing Jewish groups or in their individual capacity,” which provided that they “consider the term HEEB to be a disparaging”).

PFI objects to this evidence on relevancy grounds because the resolution was passed outside of the relevant time period. However, as suggested by the TTAB in *Blackhorse*, this is just like any other testimony from individuals that was taken after the fact: witnesses testify about what they perceived in the past. PFI may challenge the weight this evidence is afforded but the words of the resolution are indisputable: this national organization of Native Americans declared that the term “REDSKINS” has always been derogatory, offensive, and disparaging. Because this evidence tends to prove or disprove a matter, *see* FED. R. EVID. 401, the Court overrules PFI’s objection and finds that the resolution is probative of whether a substantial

composite of Native Americans thought “redskin” “may disparage” them during the relevant time period.

Throughout PFI’s briefs it appears to suggest that the evidence of the 1972 meeting with former-PFI president Williams, NCAI’s 1993 resolution on the team name, and any other evidence of Native American opposition is immaterial because “mainstream Native Americans” support the team name “Washington Redskins.” Respondents in *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114 (T.T.A.B. 2008), and *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264, 2006 WL 1546500 (T.T.A.B. 2006), also tried to dismiss the views of those finding a term offensive as out of the mainstream. The TTAB rejected this argument both times. The Court agrees with the TTAB’s approach and similarly rejects PFI’s attempted characterization of some of Blackhorse Defendants’ witnesses and their respective testimony. That a “substantial composite” is not necessarily a majority further compels this result. Assuming the Court accepted PFI’s proffered dichotomy of “mainstream” versus “avant-garde” members of a referenced group, as a matter of principle it is indisputable that those with “non-mainstream” views on whether a term is disparaging can certainly constitute a substantial composite of a referenced group. The Court finds that to be the case here.

PFI sought to rebut Blackhorse Defendants’ evidence multiple ways. First, PFI relies upon the 1977 All-Indian Half-Time Marching Band and Pageant and Native Americans naming their own sports teams “Redskins” to argue that the term is not disparaging. (Doc. 100 at 37.) Hundreds of Native Americans participated in the half-time program and several-hundred more applied but were ultimately not able to partake in the event. (*Id.*) PFI contends that the “positive tone” of the Native American press reports on the event, among other things, shows that the mark did not consist of matter that “may disparage” a substantial composite Native Americans

during the relevant time period. (*Id.*) Additionally, PFI maintains that Native Americans' own extensive use of the term "Redskins" for different nicknames and the names of over twenty local sports teams precludes it from being considered as a term that "may disparage."

The Court finds these arguments unpersuasive because this evidence does not show that there is not a substantial composite of Native Americans who find the matter was one that "may disparage." *Heeb* is again instructive. *Heeb* involved an effort to register the mark HEEB for apparel and the publication of magazines. *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071, 2008 WL 5065114, at *1 (T.T.A.B. 2008). The TTAB acknowledged that there was a movement within the Jewish community to take command of the term "heeb" and not be offended by it. *Id.* at *5-*6. However, despite the fact that "many of this country's most established Jewish philanthropies and cultural organizations have openly and actively supported Applicant's magazine," *id.* at *3, the TTAB held that the evidence showed there was still a substantial composite of Jewish individuals who would find the term "heeb" to be one that "may disparage."

In *Heeb*, the TTAB explained that disparate views within the community of the referenced group countenance reliance on the rule that a substantial composite is not necessarily a majority. The TTAB wrote:

With regard to applicant's argument that a minority opinion should not veto registration of a particular mark, this is not in keeping with the standard set forth by our primary reviewing court. While case law does not provide a fixed number or percentage, it is well established that a "substantial composite" is not necessarily a majority. Here we have clear evidence that a substantial composite of the referenced group considers HEEB to be a disparaging term. The examining attorney has presented evidence from various segments of the Jewish community, including the Anti-Defamation League, a university professor, rabbis, a talk-show host and ordinary citizens.

Id. at *8.

The current case mirrors the circumstances in *Heeb*. Similar to *Heeb*, segments of the Native American community have decried “redskin” as disparaging, including the NCAI, a former tribal leader, and an author. The Court recognizes PFI’s evidence that some members of the Native American community did not ever, and do not now, find “redskin” disparaging, whether in the context of the “Washington Redskins” or not. As reinforced in *Heeb*, the substantial composite rule does not require that a *majority* of the referenced group find that a mark consists of matter that “may disparage.” *Id.* Accordingly, PFI’s argument that the 1977 halftime show and the use of “Redskins” as a nickname by Native Americans means that the term is not one that “may disparage” must fail because, consistent with *Heeb*, the record evidence shows that a substantial composite of Native Americans find that the term is offensive.

Accordingly, the Court finds that the record evidence of statements from Native American leaders and groups weighs in favor of finding that between 1967 and 1990, the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans.

Through Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), Congress has made a judgment that the federal trademark registration program will not register marks that “may disparage” different groups. A denial or cancellation of registration simply signifies that because a mark does not meet the requirements of the federal trademark registration program, the mark owner will not be able “to call upon the resources of the federal government in order to enforce that mark.” *In re Fox*, 702 F.3d 633, 640 (Fed. Cir. 2012).

The determination of whether a substantial composite of the referenced group believes that a mark consists of a term that “may disparage” is not a mathematical equation requiring the parties to argue over whether the evidence shows that a specific threshold was met. *See Heeb*,

2008 WL 5065114, at *8 (citation omitted). Instead, courts consider (1) dictionary definitions and accompanying editorial designations; (2) scholarly, literary, and media references; and (3) statements of individuals or group leaders of the referenced group on the term.

Here, the Court finds that the record contains evidence in all three categories demonstrating that between 1967 and 1990, the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans. The dictionary evidence included multiple definitions describing the term “redskin” in a negative light, including one from 1898—almost *seventy years* prior to the registration of the first Redskins Mark—characterizing “redskin” as “often contemptuous.” The record evidence also includes references in renowned scholarly journals and books showing that “redskin” was offensive prior to 1967. Encyclopedia Britannica described its poor reputation in 1911. The record evidence also shows that in 1972 NCAI, a national Native American organization founded in 1944, sent its president to accompany leaders of other Native American organizations at a meeting with the president of PFI to demand that the team’s name be changed. NCAI also passed a resolution which provided that it has *always* found the term and team name “Redskins” to be derogatory, offensive, and disparaging.

PFI cites to no cases from either the Federal Circuit or the TTAB where the record contained evidence of (1) multiple dictionary definitions and usage labels showing that a term was “often offensive” and “often contemptuous”; (2) scholarly, literary, and media references in journals, books, newspaper articles and editorials, and encyclopedias referencing a term as “derogatory,” “deprecatory,” an “ethnophaulism,” and a “racial epithet”; and (3) statements from individuals and organizations in the referenced group explaining how a mark consists of matter that is offensive to them, and the mark owner was still permitted to maintain a federal

trademark registration. That is because the case law is clear: when all three categories contain evidence that a mark consists of matter that “may disparage” a substantial composite of the referenced group, the TTAB and the Federal Circuit have denied or cancelled the mark’s registration.

This remains true even when there is also dictionary evidence that does not characterize the term as offensive, literary references using the term in a non-disparaging fashion, and statements from members of the referenced group demonstrating that they do not think the mark consists of matter that “may disparage.” That is because Section 2(a) does not require a finding that *every member* of the referenced group thinks that the matter “may disparage.” Nor does it mandate a showing that *a majority* of the referenced group considers the mark one that consists of matter that “may disparage.” Instead, Section 2(a) allows for the denial or cancellation of a registration of any mark that consists of or comprises matter that “*may* disparage” a *substantial composite* of the referenced group.

The Court finds that Blackhorse Defendants have shown by a preponderance of the evidence that there is no genuine issue of material fact as to the “may disparage” claim: the record evidence shows that the term “redskin,” in the context of Native Americans and during the relevant time period, was offensive and one that “may disparage” a substantial composite of Native Americans, “no matter what the goods or services with which the mark is used.” *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264, 2006 WL 1546500, at *16 (T.T.A.B. 2006). “Redskin” certainly retains this meaning when used in connection with PFI’s football team; a team that has *always* associated itself with Native American imagery, with nothing being more emblematic of this association than the use of a Native American profile on the helmets of each member of the football team.



See supra.

Accordingly, the Court finds that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans during the relevant time period, 1967–1990, and must be cancelled. Also, consistent with the parties’ concession that Section 2(a)’s “may disparage” and “contempt or disrepute” provisions use the same legal analysis, the Court further finds that the Redskins Marks consisted of matter that bring Native Americans into “contempt or disrepute.” Thus, Blackhorse Defendants are entitled to summary judgment on Count II.

The Court so holds with the benefit of a supplemented record and post-2003 cases from the Federal Circuit and TTAB applying Section 2(a) of the Lanham Act—items that the district court in *Harjo* was not privy to when it made its initial ruling. *See Pro-Football, Inc. v. Harjo*, 284 F. Supp. 2d 96 (D.D.C. 2003). Specifically, this record contained the following supplemental evidence:

1. Evidence establishing that in 1962, “almost all the students at Haskell Institute resent[ed] being called redskins” (at the time, Haskell was a post-secondary vocational school for American Indians, with 1,000 students);
2. Evidence establishing the NCAI, AIM, and other diverse Indian organizations found common ground to fight the team name and met with PFI’s President in 1972 to demand that PFI change the team name;

3. Evidence establishing that in 1972, the University of Utah dropped the name “Redskins” due to concern that the term was offensive;
4. Evidence establishing further efforts by NCAI over several decades to bring about a change in PFI’s team name;
5. Declarations from prominent Native Americans and representatives of Native American organizations regarding their own experiences with “redskin” used as a slur, their understanding of the term, and the basis of their understanding; and
6. Additional data analysis by Dr. Nunberg demonstrating the negative connotations of “redskin.”

(See Doc. 71 at 2.)

Also, the standard of review here is different than the standard in *Harjo*. In *Harjo*, the court applied the APA’s “substantial evidence” standard: “the Court will reverse the TTAB’s findings of fact only if they are ‘unsupported by substantial evidence.’” *Harjo*, 284 F. Supp. 2d at 114 (citing 5 U.S.C. § 706). In *Harjo*, the TTAB made only limited findings of fact in two areas: linguists’ testimony and survey evidence.²⁹ *Harjo*, 284 F. Supp. 2d at 119. Thus, it was only those two areas that were subjected to court scrutiny under the substantial evidence standard. *See id.* Here, the TTAB made 39 findings of fact in two areas: “General Analysis of the Word” and “Native American Objection to Use of the Word Redskins for Football Teams.” *Blackhorse*, 2014 WL 2757516, at *25–*28. Moreover, because the TTAB review in this case was brought pursuant to 15 U.S.C. § 1071(b), the Court reviews the *entire* record *de novo*—the Court is not restricted to only reviewing the TTAB’s findings of fact like the district court in *Harjo*. Even if that was true, the TTAB’s findings of fact in *Blackhorse* were more thorough than the findings of fact in *Harjo*.

²⁹ The survey was conducted by *Harjo*’s survey expert Dr. Ivan Ross, President of Ross Research and a former Professor of Marketing and Adjunct Professor of Psychology with the Carlson School of Management of the University of Minnesota.

D. Laches

With regard to PFI's laches challenge, the Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint for two reasons. The disparagement claim is not barred by laches because (1) Blackhorse Defendants did not unreasonably delay in petitioning the TTAB; and (2) the public interest at stake weighs against its application.

1. No Unreasonable Delay

The laches defense, which PFI bears the burden of proving, requires proof of (1) "[a] lack of due diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense." *Nat'l R.R. Passenger Corp. v. Morgan*, 536 U.S. 101, 121–22 (2002) (internal quotation marks omitted); *see also Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 461 (4th Cir. 1996) (citation omitted) ("In a trademark case, courts may apply the doctrine of estoppel by laches to deny relief to a plaintiff who, though having knowledge of an infringement, has, to the detriment of the defendant, *unreasonably delayed* in seeking redress." (emphasis added)). The applicability of laches "depends upon the particular circumstances of the case." *White v. Daniel*, 909 F.2d 99, 102 (4th Cir. 1990) (citing *Nat'l Wildlife Fed. v. Burford*, 835 F.2d 305, 318 (D.C. Cir. 1987)).

In order to prevail in its laches defense, PFI must prove that, after turning age 18, each Defendant unreasonably delayed in petitioning the TTAB to cancel the Redskins Marks. *Brittingham v. Jenkins*, 914 F.2d 447, 456 (4th Cir. 1990); *see also Pro-Football, Inc. v. Harjo*, 415 F.3d 44, 48–49 (D.C. Cir. 2005). Here, each of the Blackhorse Defendants was under the age of 18 in April 1999 when the TTAB granted the *Harjo* petition to cancel the Redskins Marks' registrations. (See Doc. 51 at 2; Doc. 1 ¶ 17.) The *Harjo* proceedings in federal court

concluded in 2009. Because Blackhorse Defendants filed their petition with the TTAB in 2006, while the *Harjo* proceedings were pending, the Court finds that they did not unreasonably or unjustifiably delay in petitioning the TTAB. It was sensible for Blackhorse Defendants to see how the cancellation proceedings in the district court progressed. As stated by Blackhorse Defendants, filing any earlier than 2006, one year after the district court's reversal of the TTAB's finding that the Redskins Marks "may disparage," might have resulted in the filing of unnecessary petitions. Thus, to the extent that Blackhorse Defendants did delay in filing their petition to cancel the Redskins Marks, the Court finds that the delay was not unreasonable. Accordingly, the Court holds that Blackhorse Defendants are entitled to summary judgment on Count VII.

2. Public Interest

The Court holds that laches does not apply because of the public interest implicated. Public interest is a factor that weighs against the application of laches. *See Resorts of Pinehurst, Inc. v. Pinehurst Nat'l Corp.*, 148 F.3d 417, 423 (4th Cir. 1998). The Court agrees with the TTAB's finding that there "is an overriding public interest in removing from the register marks that are disparaging to a segment of the population beyond the individual petitioners." *Blackhorse*, 2014 WL 2757516, at *32. The Court finds that the particular facts and circumstances of this case, namely that Blackhorse Defendants petitioned to cancel the Redskins Marks during other pending litigation seeking cancellation of the same marks on the same grounds (*Harjo*), demonstrate that the application of laches should be barred because of the public's interest in being free from encountering registered marks that "may disparage." Accordingly, the Court holds that the TTAB did not err in rejecting PFI's laches argument and Blackhorse Defendants are entitled to summary judgment on Count VII.

CONCLUSION

The Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America. With regard to PFI's First Amendment challenge, the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America for two reasons. First, Section 2(a) of the Lanham Act does not implicate the First Amendment. Second, the federal trademark registration program is government speech and is therefore exempt from First Amendment scrutiny.

With regard to PFI's Fifth Amendment challenge, the Court DENIES PFI's Motion for Summary Judgment on Constitutional Claims and GRANTS the cross-motions for summary judgment filed by Blackhorse Defendants and the United States of America for two reasons. First, Section 2(a) of the Lanham Act is not void for vagueness because (1) PFI cannot show that Section 2(a) is unconstitutional in all of its applications; (2) Section 2(a) gives fair warning of what conduct is prohibited; (3) Section 2(a) does not authorize or encourage "arbitrary and discriminatory enforcement"; and (4) Section 2(a) is not impermissibly vague as-applied to PFI. Second, the Takings Clause and Due Process Clause claims fail because a trademark registration is not considered property under the Fifth Amendment.

The Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint. With regard to PFI's "may disparage" claim, the Court DENIES PFI's Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint because the (1) dictionary

evidence; (2) literary, scholarly, and media references; and (3) statements of individuals and groups in the referenced group show that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans during the relevant time period.

With regard to PFI’s laches claim, the Court DENIES PFI’s Cross-Motion for Summary Judgment on Claims I, II, and VII, and GRANTS Blackhorse Defendants’ Motion for Summary Judgment on Counts I, II, and VII of Complaint for two reasons. First, the “may disparage” claim is not barred by laches because Blackhorse Defendants did not unreasonably delay in petitioning the TTAB. Second, laches does not apply because of the public interest at stake.

The Court has applied the Lanham Act to the issue presented in this trademark cancellation proceeding: whether a substantial composite of Native Americans deem the term “redskin” as one that “may disparage” in the context of PFI’s Redskins Marks during the relevant time period. The evidence before the Court supports the legal conclusion that between 1967 and 1990, the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans. Section 2(a) of the Lanham Act requires cancellation of the registrations of PFI’s Redskins Marks, resulting in their removal from the PTO’s Principal Register.

To be clear, the Court’s judgment is not an order that precludes PFI from using the marks in commerce. Nor does the Court’s ruling that the Redskins Marks consisted of matter that “may disparage” a substantial composite of Native Americans during the relevant time period preclude sports fans from collecting, wearing, or displaying the Redskins Marks. Courts do not create trademarks; only businesses like PFI control their own destiny with respect to how the public discerns the source and origin of PFI’s goods and services. What actions, if any, PFI takes going forward with the marks are a business judgment beyond the purview of this Court’s jurisdiction.

Accordingly, it is hereby

ORDERED that PFI's Motion for Summary Judgment on Constitutional Claims (Doc. 54) and Cross-Motion for Summary Judgment on Claims I, II, and VII (Doc. 79) are **DENIED**; it is further

ORDERED that Blackhorse Defendants' Cross-Motion for Summary Judgment on Claims III-VI (Doc. 105), the United States of America's Motion for Summary Judgment on Constitutional Claims (Doc. 108), and Blackhorse Defendants' Motion for Summary Judgment on Counts I, II, and VII of Complaint (Doc. 69) are **GRANTED**; it is further

ORDERED that the TTAB's ruling in *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516 (T.T.A.B. 2014), is **AFFIRMED**; and it is further

ORDERED that the United States Patent and Trademark Office is **DIRECTED** to schedule the cancellation of the registrations for the following six marks: Registration No. 0836122, Registration No. 0978824, Registration No. 098666, Registration No. 0987127, Registration No. 1085092, and Registration No. 1606810.

IT IS SO ORDERED.

ENTERED this 8th day of July, 2015.

Alexandria, Virginia

7/ 8/ 2015

/s/
Gerald Bruce Lee
United States District Judge

United States Court of Appeals for the Federal Circuit

IN RE SIMON SHIAO TAM

2014-1203

Appeal from the United States Patent and Trademark Office, Trademark Trial and Appeal Board in No. 85/472,044.

Decided: December 22, 2015

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Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, HUGHES, and STOLL, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* MOORE, in which *Chief Judge* PROST and *Circuit Judges* NEWMAN, O'MALLEY, WALLACH, TARANTO, CHEN, HUGHES, and STOLL join.

Concurring opinion filed by *Circuit Judge* O'MALLEY, in which *Circuit Judge* WALLACH joins.

Opinion concurring in part and dissenting in part filed by *Circuit Judge* DYK, in which *Circuit Judges* LOURIE and REYNA join with respect to parts I, II, III, and IV.

Dissenting opinion filed by *Circuit Judge* LOURIE.

Dissenting opinion filed by *Circuit Judge* REYNA.

MOORE, *Circuit Judge*.

Section 2(a) of the Lanham Act bars the Patent and Trademark Office ("PTO") from registering scandalous, immoral, or disparaging marks. 15 U.S.C. § 1052(a). The

government enacted this law—and defends it today—because it disapproves of the messages conveyed by disparaging marks. It is a bedrock principle underlying the First Amendment that the government may not penalize private speech merely because it disapproves of the message it conveys. That principle governs even when the government’s message-discriminatory penalty is less than a prohibition.

Courts have been slow to appreciate the expressive power of trademarks. Words—even a single word—can be powerful. Mr. Simon Shiao Tam named his band THE SLANTS to make a statement about racial and cultural issues in this country. With his band name, Mr. Tam conveys more about our society than many volumes of undisputedly protected speech. Another rejected mark, STOP THE ISLAMISATION OF AMERICA, proclaims that Islamisation is undesirable and should be stopped. Many of the marks rejected as disparaging convey hurtful speech that harms members of oft-stigmatized communities. But the First Amendment protects even hurtful speech.

The government cannot refuse to register disparaging marks because it disapproves of the expressive messages conveyed by the marks. It cannot refuse to register marks because it concludes that such marks will be disparaging to others. The government regulation at issue amounts to viewpoint discrimination, and under the strict scrutiny review appropriate for government regulation of message or viewpoint, we conclude that the disparagement proscription of § 2(a) is unconstitutional. Because the government has offered no legitimate interests justifying § 2(a), we conclude that it would also be unconstitutional under the intermediate scrutiny traditionally applied to regulation of the commercial aspects of speech. We therefore vacate the Trademark Trial and Appeal Board’s (“Board”) holding that Mr. Tam’s mark is unregistrable,

and remand this case to the Board for further proceedings.

BACKGROUND

I. The Lanham Act

Congress enacted the Lanham Act in 1946 to provide a national system for registering and protecting trademarks used in interstate and foreign commerce. Congress's purpose in enacting the Lanham Act was to advance the two related goals of trademark law. First, the purpose of the Lanham Act is to "protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 n.15 (1992) (Stevens, J., concurring) (quoting S. Rep. No. 79-1333, at 3 (1946)). Second, the Lanham Act ensures that a markholder can protect "his investment from . . . misappropriation by pirates and cheats." *Id.*; see also *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 n.14 (1982) ("By applying a trademark to goods produced by one other than the trademark's owner, the infringer deprives the owner of the goodwill which he spent energy, time, and money to obtain. At the same time, the infringer deprives consumers of their ability to distinguish among the goods of competing manufacturers." (citations omitted)).

"Registration is significant. The Lanham Act confers important legal rights and benefits on trademark owners who register their marks." *B&B Hardware, Inc. v. Hargis Ind., Inc.*, 135 S. Ct. 1293, 1300 (2015) (quotation marks omitted). These benefits—unavailable in the absence of federal registration—are numerous, and include both substantive and procedural rights. The holder of a federal trademark has a right to exclusive nationwide use of that mark where there was no prior use by others. See 15 U.S.C. §§ 1072, 1115. Because the common law grants a

markholder the right to exclusive use only in the geographic areas where he has actually used his mark, *see* 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 26:32 (4th ed.) (hereinafter “McCarthy”), holders of a federally registered trademark have an important substantive right they could not otherwise obtain. Also, a registered mark is presumed to be valid, 15 U.S.C. § 1057(b), and the mark becomes incontestable (with certain exceptions) after five years of consecutive post-registration use, *id.* § 1065; *see also* *B&B Hardware*, 135 S. Ct. at 1310 (“Incontestability is a powerful protection.”). A markholder may sue in federal court to enforce his trademark, 15 U.S.C. § 1121, and he may recover treble damages if he can show infringement was willful, *id.* § 1117. He may also obtain the assistance of U.S. Customs and Border Protection in restricting importation of infringing or counterfeit goods, *id.* § 1124, 19 U.S.C. § 1526, and qualify for a simplified process for obtaining recognition and protection of his mark in countries that have signed the Paris Convention, *see id.* § 1141b (Madrid Protocol); Paris Convention for the Protection of Industrial Property art. 6*quinquies*, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305. Lastly, registration operates as a complete defense to state or common law claims of trademark dilution. 15 U.S.C. § 1125(c)(6).

Under the Lanham Act, the PTO must register source-identifying trademarks unless the mark falls into one of several categories of marks precluded from registration. *Id.* § 1052 (“*No trademark* by which the goods of the applicant may be distinguished from the goods of others *shall be refused registration on the principal register on account of its nature* unless” (emphasis added)). Many of these categories bar the registration of deceptive or misleading speech, because such speech actually undermines the interests served by trademark protection and, thus, the Lanham Act’s purposes in providing for registration. For example, a mark may not

be registered if it resembles a registered mark such that its use is likely to “cause confusion, or to cause mistake, or to deceive,” § 2(d), or if it is “deceptively misdescriptive,” § 2(e). These restrictions on registration of deceptive speech do not run afoul of the First Amendment. See *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n*, 447 U.S. 557, 563 (1980) (“The government may ban forms of communication more likely to deceive the public than to inform it.”); see also *Friedman v. Rogers*, 440 U.S. 1, 13, 15–16 (1979); *Ohralik v. Ohio State Bar Ass’n*, 436 U.S. 447, 462–63 (1978).

Section 2(a), however, is a hodgepodge of restrictions. Among them is the bar on registration of a mark that “[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute.” Section 2(a) contains proscriptions against deceptive speech, for example, the prohibition on deceptive matter or the prohibition on falsely suggesting a connection with a person or institution. But other restrictions in § 2(a) differ in that they are based on the expressive nature of the content, such as the ban on marks that may disparage persons or are scandalous or immoral. These latter restrictions cannot be justified on the basis that they further the Lanham Act’s purpose in preventing consumers from being deceived. These exclusions from registration do not rest on any judgment that the mark is deceptive or likely to cause consumer confusion, nor do they protect the markholder’s investment in his mark. They deny the protections of registration for reasons quite separate from any ability of the mark to serve the consumer and investment interests underlying trademark protection. In fact, § 2(a)’s exclusions can undermine those interests because they can even be employed in cancellation proceedings challenging a mark many years after its issuance and after the markholder

has invested millions of dollars protecting its brand identity and consumers have come to rely on the mark as a brand identifier.

This case involves the disparagement provision of § 2(a).¹ Section 2(a)'s ban on the federal registration of "immoral" or "scandalous" marks originated in the trademark legislation of 1905. See Act of Feb. 20, 1905, ch. 592, § 5(a), 33 Stat. 724, 725. The provision barring registration based on disparagement first appeared in the Lanham Act in 1946. Pub. L. 79-489, § 2(a), 60 Stat. 427, 428 (codified at 15 U.S.C. § 1052(a)). It had no roots in the earlier trademark statute or the common law. There were few marks rejected under the disparagement provision following enactment of the Lanham Act. Only in the last several decades has the disparagement provision become a more frequent ground of rejection or cancellation of trademarks. Marks that the PTO has found to be disparaging include: REDSKINS, *Pro-Football, Inc. v. Blackhorse*, No. 1-14-CV-01043-GBL, 2015 WL 4096277 (E.D. Va. July 8, 2015) (2014 PTO cancellation determination currently on appeal in Fourth Circuit); STOP THE ISLAMISATION OF AMERICA, *In re Geller*, 751 F.3d

¹ We limit our holding in this case to the constitutionality of the § 2(a) disparagement provision. Recognizing, however, that other portions of § 2 may likewise constitute government regulation of expression based on message, such as the exclusions of immoral or scandalous marks, we leave to future panels the consideration of the § 2 provisions other than the disparagement provision at issue here. To be clear, we overrule *In re McGinley*, 660 F.2d 481 (C.C.P.A. 1981), and other precedent insofar as they could be argued to prevent a future panel from considering the constitutionality of other portions of § 2 in light of the present decision.

1355 (Fed. Cir. 2014); THE CHRISTIAN PROSTITUTE (2013); AMISHHOMO (2013); MORMON WHISKEY (2012); KHORAN for wine, *In re Lebanese Arak Corp.*, 94 U.S.P.Q.2d 1215 (T.T.A.B. Mar. 4, 2010); HAVE YOU HEARD THAT SATAN IS A REPUBLICAN? (2010); RIDE HARD RETARD (2009); ABORT THE REPUBLICANS (2009); HEEB, *In re Heeb Media, LLC*, 89 U.S.P.Q.2d 1071 (T.T.A.B. Nov. 26, 2008); SEX ROD, *Bos. Red Sox Baseball Club L.P. v. Sherman*, 88 U.S.P.Q.2d 1581 (T.T.A.B. Sept. 9, 2008) (sustaining an opposition on multiple grounds, including disparagement); MARRIAGE IS FOR FAGS (2008); DEMOCRATS SHOULDN'T BREED (2007); REPUBLICANS SHOULDN'T BREED (2007); 2 DYKE MINIMUM (2007); WET BAC/WET B.A.C. (2007); URBAN INJUN (2007); SQUAW VALLEY, *In re Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264 (T.T.A.B. June 2, 2006); DON'T BE A WET BACK (2006); FAGDOG (2003); N.I.G.G.A. NATURALLY INTELLIGENT GOD GIFTED AFRICANS (1996); a mark depicting a defecating dog, *Greyhound Corp. v. Both Worlds, Inc.*, 6 U.S.P.Q.2d 1635 (T.T.A.B. Mar. 30, 1988) (found to disparage Greyhound's trademarked running dog logo); an image consisting of the national symbol of the Soviet Union with an "X" over it, *In re Anti-Communist World Freedom Cong., Inc.*, 161 U.S.P.Q. 304 (T.T.A.B. Feb. 24, 1969); DOUGH-BOY for "a prophylactic preparation for the prevention of venereal diseases," *Doughboy Indus., Inc. v. Reese Chem. Co.*, 88 U.S.P.Q. 227 (T.T.A.B. Jan. 25, 1951).

A disparaging mark is a mark which "dishonors by comparison with what is inferior, slights, deprecates, degrades, or affects or injures by unjust comparison." *Geller*, 751 F.3d at 1358 (alterations omitted). To determine if a mark is disparaging under § 2(a), a trademark examiner of the PTO considers:

- (1) What is the likely meaning of the matter in question, taking into account not only dictionary

definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services; and

(2) If that meaning is found to refer to identifiable persons, institutions, beliefs or national symbols, whether that meaning may be disparaging to a substantial composite of the referenced group.

Trademark Manual of Exam. Proc. (“TMEP”) § 1203.03(b)(i) (Jan. 2015 ed.) (citing *Geller*, 751 F.3d at 1358). If the examiner “make[s] a prima facie showing that a substantial composite, although not necessarily a majority, of the referenced group would find the proposed mark, as used on or in connection with the relevant goods or services, to be disparaging in the context of contemporary attitudes,” the burden shifts to the applicant for rebuttal. *Id.* If the applicant fails to rebut the prima facie case of disparagement, the examiner refuses to register the mark. The Trademark Manual of Examining Procedure does not require an examiner who finds a mark disparaging to consult her supervisor or take any further steps to ensure the provision is applied fairly and consistently across the agency. *Compare* TMEP § 1203.03 (no discussion of action to take if examiner finds mark disparaging), *with* TMEP § 1203.01 (requiring examiner who finds a mark scandalous or immoral to consult his supervisor). A single examiner, with no input from her supervisor, can reject a mark as disparaging by determining that it would be disparaging to a substantial composite of the referenced group.

II. Facts of This Case

Mr. Tam is the “front man” for the Asian-American dance-rock band The Slants. Mr. Tam named his band The Slants to “reclaim” and “take ownership” of Asian stereotypes. J.A. 129–30. The band draws inspiration for

its lyrics from childhood slurs and mocking nursery rhymes, J.A. 130, and its albums include “The Yellow Album” and “Slanted Eyes, Slanted Hearts.” The band “feel[s] strongly that Asians should be proud of their cultural heri[ta]ge, and not be offended by stereotypical descriptions.” J.A. 52. With their lyrics, performances, and band name, Mr. Tam and his band weigh in on cultural and political discussions about race and society that are within the heartland of speech protected by the First Amendment.

On November 14, 2011, Mr. Tam filed the instant application (App. No. 85/472,044) seeking to register the mark THE SLANTS for “Entertainment in the nature of live performances by a musical band,” based on his use of the mark since 2006.² The examiner refused to register Mr. Tam’s mark, finding it likely disparaging to “persons of Asian descent” under § 2(a). The examiner found that the mark likely referred to people of Asian descent in a disparaging way, explaining that the term “slants” had “a long history of being used to deride and mock a physical feature” of people of Asian descent. J.A. 42. And even though Mr. Tam may have chosen the mark to “reappropriate the disparaging term,” the examiner found that a substantial composite of persons of Asian descent would find the term offensive. J.A. 43.

² This is Mr. Tam’s second application for the mark THE SLANTS. In 2010, Mr. Tam filed App. No. 77/952,263 seeking to register the mark for “Entertainment, namely, live performances by a musical band.” The examiner found the mark disparaging to people of Asian descent under § 2(a) and therefore refused to register it. Mr. Tam appealed that refusal to the Board, but the case was dismissed for failure to file a brief.

The Board affirmed the examiner’s refusal to register the mark. The Board wrote that “it is abundantly clear from the record not only that THE SLANTS . . . would have the ‘likely meaning’ of people of Asian descent but also that such meaning has been so perceived and has prompted significant responses by prospective attendees or hosts of the band’s performances.” *In re Tam*, No. 85472044, 2013 WL 5498164, at *5 (T.T.A.B. Sept. 26, 2013) (“Board Opinion”). To support its finding that the mark likely referred to people of Asian descent, the Board pointed to dictionary definitions, the band’s website, which displayed the mark next to “a depiction of an Asian woman, utilizing rising sun imagery and using a stylized dragon image,” and a statement by Mr. Tam that he selected the mark in order to “own” the stereotype it represents. *Id.* The Board also found that the mark is disparaging to a substantial component of people of Asian descent because “[t]he dictionary definitions, reference works and all other evidence unanimously categorize the word ‘slant,’ when meaning a person of Asian descent, as disparaging,” and because there was record evidence of individuals and groups in the Asian community objecting to Mr. Tam’s use of the word. *Id.* at *7. The Board therefore disqualified the mark for registration under § 2(a).

Mr. Tam appealed, arguing that the Board erred in finding the mark disparaging and that § 2(a) is unconstitutional. On appeal, a panel of this Court affirmed the Board determination that the mark is disparaging.³ *In re Tam*, 785 F.3d 567, 570–71 (Fed. Cir. 2015) (“Panel Opinion”), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015) (“En Banc Order”). Although the

³ We reinstate the panel’s holding that Mr. Tam’s mark is disparaging.

term “slants” has several meanings, the panel found that substantial evidence supported the Board’s finding that the mark likely refers to people of Asian descent. *Panel Op.* at 570–71. This included an article in which Mr. Tam described the genesis of the band’s name by explaining: “I was trying to think of things that people associate with Asians. Obviously, one of the first things people say is that we have slanted eyes. . . .” *Id.* at 570 (quoting J.A. 130). Moreover, the band’s Wikipedia page stated that the band’s name is “derived from an ethnic slur for Asians.” *Id.* (quoting J.A. 57). The Wikipedia entry quoted Mr. Tam: “We want to take on these stereotypes that people have about us, like the slanted eyes, and own them. We’re very proud of being Asian—we’re not going to hide that fact. The reaction from the Asian community has been positive.” J.A. 57. The record included an image from the band’s website in which the mark THE SLANTS is set against Asian imagery. *Id.* (citing J.A. 59). Finally, the record included un rebutted evidence that both individuals and Asian groups have perceived the term as referring to people of Asian descent. *Id.* at 570–71 (citing, e.g., J.A. 95 (“[Mr. Tam] was initially slated to give the keynote address at the 2009 Asian American Youth Leadership Conference in Portland. But some conference supporters and attendees felt the name of the band was offensive and racist, and out of respect for these opinions the conference organizers decided to choose someone less controversial.”)).

The panel also found that substantial evidence supported the Board’s finding that the mark is disparaging to a substantial composite of people of Asian descent. *Panel Op.* at 571. It noted that the definitions in evidence universally characterize the word “slant” as disparaging, offensive, or an ethnic slur when used to refer to a person of Asian descent, including the dictionary definitions provided by Mr. Tam. *Id.* The record also included a brochure published by the Japanese American Citizens

League describing the term “slant,” when used to refer to people of Asian descent, as a “derogatory term” that is “demeaning” and “cripple[s] the spirit.” *Id.* (quoting J.A. 48–49). Finally, the record included news articles and blog posts discussing the offensive nature of the band’s name. *Id.* (citing *Board Op.* at *2–3; J.A. 45, 51, 94–98, 100).

Having found the mark disparaging under § 2(a), the panel held that binding precedent foreclosed Mr. Tam’s arguments that § 2(a) is unconstitutional, including Mr. Tam’s argument that § 2(a) violates the First Amendment on its face. *Panel Op.* at 572–73. As the panel explained, in *McGinley*, our predecessor court held that the refusal to register a mark under § 2(a) does not bar the applicant from using the mark, and therefore does not implicate the First Amendment. *Id.* at 572 (citing *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981)). The entirety of the *McGinley* analysis was:

With respect to appellant’s First Amendment rights, it is clear that the PTO’s refusal to register appellant’s mark does not affect his right to use it. No conduct is proscribed, and no tangible form of expression is suppressed. Consequently, appellant’s First Amendment rights would not be abridged by the refusal to register his mark.

660 F.2d at 484 (citations omitted). In subsequent cases, panels of this Court relied on the holding in *McGinley*. See *In re Fox*, 702 F.3d 633, 635 (Fed. Cir. 2012); *In re Boulevard Entm’t, Inc.*, 334 F.3d 1336, 1343 (Fed. Cir. 2003); *In re Mavety Media Grp.*, 33 F.3d 1367, 1374 (Fed. Cir. 1994). Additional views by the panel’s authoring judge questioned whether the en banc court should reconsider the constitutionality of § 2(a) en banc. *Panel Op.* at 573–85 (Moore, J., additional views).

More than thirty years have passed since the decision in *McGinley*, and in that time both the *McGinley* decision

and our reliance on it have been widely criticized.⁴ *Id.* at 573–74. Furthermore, the *McGinley* analysis was cursor-

⁴ See, e.g., *Ritchie v. Simpson*, 170 F.3d 1092, 1103 & n.1 (Fed. Cir. 1999) (Newman, J., dissenting); *Pro-Football Inc. v. Harjo*, No. 99-1385 (CKK), 2000 WL 1923326, at *4 (D.D.C. Dec. 11, 2000); Stephen Baird, *Moral Intervention in the Trademark Arena: Banning the Registration of Scandalous and Immoral Trademarks*, 83 TRADEMARK REPORTER 661, 685–86 (1993); Justin G. Blankenship, *The Cancellation of Redskins as a Disparaging Trademark: Is Federal Trademark Law an Appropriate Solution for Words That Offend?*, 72 U. COLO. L. REV. 415, 443–44 (2001); Terence Dougherty, *Group Rights to Cultural Survival: Intellectual Property Rights in Native American Cultural Symbols*, 29 COLUM. HUM. RTS. L. REV. 355, 383 (1998); Bruce C. Kelber, “Scalping the Redskins:” *Can Trademark Law Start Athletic Teams Bearing Native American Nicknames and Images on the Road to Racial Reform?*, 17 HAMLINE L. REV. 533, 556 (1994); Paul Kuru-k, *Goading a Reluctant Dinosaur: Mutual Recognition Agreements as a Policy Response to the Misappropriation of Foreign Traditional Knowledge in the United States*, 34 PEPP. L. REV. 629, 662 n.209 (2007); Michelle B. Lee, *Section 2(a) of the Lanham Act as a Restriction on Sports Team Names: Has Political Correctness Gone Too Far?*, 4 SPORTS L.J. 65, 66–67 (1997); Jeffrey Lefstin, *Does the First Amendment Bar Cancellation of Redskins?*, 52 STAN. L. REV. 665, 676–77 (2000); Nell Jessup Newton, *Memory and Misrepresentation: Representing Crazy Horse*, 27 CONN. L. REV. 1003, 1030 n.109 (1995); Ron Phillips, *A Case for Scandal and Immorality: Proposing Thin Protection of Controversial Trademarks*, 17 U. BALT. INTELL. PROP. L.J. 55, 67–68 (2008); Jendi Reiter, *Redskins and Scarlet Letters: Why “Immoral” and “Scandalous” Trademarks Should Be Federally Registrable*, 6 FED. CIR. BAR.

ry, without citation to legal authority, and decided at a time when the First Amendment had only recently been applied to commercial speech. *Id.* at 574, 581 (citing *Cent. Hudson*, 447 U.S. at 566). First Amendment jurisprudence on the unconstitutional conditions doctrine and the protection accorded to commercial speech has evolved significantly since the *McGinley* decision. *Id.* at 574; see also *id.* at 574–580 (describing evolution of commercial speech doctrine and unconstitutional conditions doctrine).

Other courts’ reliance on the reasoning in *McGinley* further reinforces the importance of taking this case en banc. Without analysis, the Fifth Circuit wrote that “[w]e join our sister circuit in rejecting [the applicant’s] argument that prohibiting him from registering a mark with the PTO violates his [F]irst [A]mendment rights.” *Test Masters Educ. Servs., Inc. v. Singh*, 428 F.3d 559, 578 n.9 (5th Cir. 2005). And a district court in the Eastern District of Virginia relied upon *McGinley* when it concluded that the cancellation of trademark registrations under § 2(a) did not implicate the First Amendment. *Pro-Football, Inc.*, 2015 WL 4096277, at *8–10 (“[T]he Court agrees with the Federal Circuit and Fifth Circuit and holds that Section 2(a) of the Lanham Act does not implicate the First Amendment.”).

For these reasons, we sua sponte ordered rehearing en banc. We asked the parties to file briefs on the following issue:

Does the bar on registration of disparaging marks in 15 U.S.C. § 1052(a) violate the First Amendment?

J. 191, 197 (1996); Lilit Voskanyan, *The Trademark Principal Register as a Nonpublic Forum*, 75 U. CHI. L. REV. 1295, 1302 (2008).

En Banc Order at 775. In addition to the parties' briefs, we received ten amicus briefs. We heard oral argument on October 2, 2015.

DISCUSSION

I. Section 2(a)'s Denial of Important Legal Rights to Private Speech Based on Disapproval of the Message Conveyed Is Subject to, and Cannot Survive, Strict Scrutiny

Strict scrutiny is used to review any governmental regulation that burdens private speech based on disapproval of the message conveyed. Section 2(a), which denies important legal rights to private speech on that basis, is such a regulation. It is therefore subject to strict scrutiny. It is undisputed that it cannot survive strict scrutiny.

A. The Disparagement Provision, Which Discriminates Based on Disapproval of the Message, Is Not Content or Viewpoint Neutral

"Content-based regulations are presumptively invalid." *R.A.V. v. City of St. Paul*, 505 U.S. 377, 382 (1992); *see also Ashcroft v. ACLU*, 542 U.S. 656, 660 (2004). "Content-based laws—those that target speech based on its communicative content—are presumptively unconstitutional and may be justified only if the government proves that they are narrowly tailored to serve compelling state interests." *Reed v. Town of Gilbert*, 135 S. Ct. 2218, 2226 (2015); *see also Police Dep't of Chi. v. Mosley*, 408 U.S. 92, 95 (1972) ("[A]bove all else, the First Amendment means that the government has no power to restrict expression because of its message, its ideas, its subject matter, or its content."). A message is content based even when its reach is defined simply by the topic (subject matter) of the covered speech. *See Reed*, 135 S. Ct. at 2230.

Viewpoint-based regulations, targeting the substance of the viewpoint expressed, are even more suspect. They are recognized as a particularly “egregious form of content discrimination,” *id.*, though they have sometimes been discussed without being cleanly separated from topic discrimination, *see, e.g., Mosley*, 408 U.S. at 95. Such measures “raise[] the specter that the government may effectively drive certain ideas or viewpoints from the marketplace.” *Simon & Schuster, Inc. v. Members of N.Y. State Crime Victims Bd.*, 502 U.S. 105, 116 (1991); *see also Sorrell v. IMS Health Inc.*, 131 S. Ct. 2653, 2667 (2011); *Rosenberger v. Rector & Visitors of Univ. of Va.*, 515 U.S. 819, 828 (1995). “The First Amendment requires heightened scrutiny whenever the government creates ‘a regulation of speech because of disagreement with the message it conveys.’” *Sorrell*, 131 S. Ct. at 2664 (quoting *Ward v. Rock Against Racism*, 491 U.S. 781, 791 (1989)). This is true whether the regulation bans or merely burdens speech. “[H]eightedened judicial scrutiny is warranted” when an act “is designed to impose a specific, content-based burden on protected expression.” *Id.*; *see also Rosenberger*, 515 U.S. at 828 (“[T]he government offends the First Amendment when it imposes financial burdens on certain speakers based on the content of their expression.”). “The distinction between laws burdening and laws banning speech is but a matter of degree. The Government’s content-based burdens must satisfy the same rigorous scrutiny as its content-based bans.” *United States v. Playboy Entm’t Grp., Inc.*, 529 U.S. 803, 812 (2000). “Lawmakers may no more silence unwanted speech by burdening its utterance than by censoring its content.” *Sorrell*, 131 S. Ct. at 2664; *see also infra* at 27–38.

It is beyond dispute that § 2(a) discriminates on the basis of content in the sense that it “applies to particular speech because of the topic discussed.” *Reed*, 135 S. Ct. at 2227. Section 2(a) prevents the registration of disparag-

ing marks—it cannot reasonably be argued that this is not a content-based restriction or that it is a content-neutral regulation of speech. And the test for disparagement—whether a substantial composite of the referenced group would find the mark disparaging—makes clear that it is the nature of the message conveyed by the speech which is being regulated. If the mark is found disparaging by the referenced group, it is denied registration. “Listeners’ reaction to speech is not a content-neutral basis for regulation.” *Forsyth Cty. v. Nationalist Movement*, 505 U.S. 123, 134 (1992).

And § 2(a) does more than discriminate on the basis of topic. It also discriminates on the basis of message conveyed, “the idea or message expressed,” *Reed*, 135 S. Ct. at 2227; it targets “viewpoints [in] the marketplace,” *Simon & Schuster*, 502 U.S. at 116. It does so as a matter of avowed and undeniable purpose, and it does so on its face.⁵

⁵ Both parties agree that this appeal is appropriately viewed as involving a facial challenge. A law is facially invalid if “a substantial number of its applications are unconstitutional, judged in relation to the statute’s plainly legitimate sweep.” *Wash. State Grange v. Wash. State Republican Party*, 552 U.S. 442, 449 n.6 (2008) (internal quotation marks omitted). In other words, to succeed in his facial challenge, Mr. Tam must “demonstrate a substantial risk that application of the provision will lead to the suppression of speech.” *Nat’l Endowment for the Arts v. Finley*, 524 U.S. 569, 580 (1998). The marks refused registration under the disparagement provision are protected speech. And the government refused to register all of these marks because it found they convey a disparaging message. More than a “substantial number” of § 2(a)’s applications of the disparagement provision rest

First, the government enacted and continues to defend § 2(a) “because of disagreement with the message [disparaging marks] convey[.]” *Sorrell*, 131 S. Ct. at 2664. When the government refuses to register a mark under § 2(a), it does so because it disapproves of “the message a speaker conveys” by the mark. *Reed*, 135 S. Ct. at 2227. Underscoring its hostility to these messages, the government repeatedly asserts in its briefing before this court that it ought to be able to prevent the registration of “the most vile racial epithets and images,” Appellee’s En Banc Br. 1, and “to dissociate itself from speech it finds odious,” *id.* 41. The legislative history of § 2(a) reinforces this conclusion. *See* Hearings on H.R. 4744 Before the Subcomm. on Trademarks of the House Comm. on Patents, 76th Cong., 1st Sess. 18–21 (1939) (statement of Rep. Thomas E. Robertson) (Rep. Maroney) (“[W]e would not want to have Abraham Lincoln gin.”); *id.* (Rep. Rogers) (stating that a mark like “Abraham Lincoln gin ought not to be used,” and that § 2(a) “would take care of [such] abuses”). From its enactment in 1946 through its defense of the statute today, the government has argued that the prohibited marks ought not to be registered because of the messages the marks convey. When the government

on disapproval of the expressive message conveyed—every rejection under the disparagement provision is a message-based denial of otherwise-available legal rights. Thus, we conclude that § 2(a) is invalid on its face. That conclusion follows from the standards for First Amendment facial invalidation and also fits the rationale for those standards: it avoids maintaining on the books a rule that called for case-by-case litigation over particular marks, based on speakers’ intent and government interests or other factors, which would threaten to produce the very chilling effect that First Amendment facial-invalidity standards condemn.

discriminates against speech because it disapproves of the message conveyed by the speech, it discriminates on the basis of viewpoint. *Sorrell*, 131 S. Ct. at 2664.

The legal significance of viewpoint discrimination is the same whether the government disapproves of the message or claims that some part of the populace will disapprove of the message. This point is recognized in the Supreme Court’s long-standing condemnation of government impositions on speech based on adverse reactions among the public. *See, e.g., Snyder v. Phelps*, 562 U.S. 443, 460–61 (2011); *R.A.V.*, 505 U.S. 377; *Texas v. Johnson*, 491 U.S. 397, 414 (1989).

Second, the disparagement provision at issue is viewpoint discriminatory on its face. The PTO rejects marks under § 2(a) when it finds the marks refer to a group in a negative way, but it permits the registration of marks that refer to a group in a positive, non-disparaging manner. In this case the PTO refused to register Mr. Tam’s mark because it found the mark “disparaging” and “objectionable” to people of Asian descent. *Tam*, 2013 WL 5498164, at *6. But the PTO has registered marks that refer positively to people of Asian descent. *See, e.g., CELEBRASIANS, ASIAN EFFICIENCY*. Similarly, the PTO has prohibited the registration of marks that it found disparaged other groups. *See, e.g., Pro-Football*, 2015 WL 4096277 (affirming cancellation of REDSKINS); *Geller*, 751 F.3d 1355 (affirming rejection of STOP THE ISLAMISATION OF AMERICA); *Lebanese Arak Corp.*, 94 U.S.P.Q.2d 1215 (refusing to register KHORAN for wine); *Heeb Media*, 89 U.S.P.Q.2d 1071 (refusing to register HEEB); *Squaw Valley Dev. Co.*, 80 U.S.P.Q.2d 1264 (refusing to register SQUAW VALLEY for one class of goods, but registering it for another). Yet the government registers marks that refer to particular ethnic groups or religions in positive or neutral ways—for example, NAACP, THINK ISLAM, NEW MUSLIM COOL,

MORMON SAVINGS, JEWISHSTAR, and PROUD 2 B CATHOLIC.

The government argues that § 2(a) is viewpoint neutral because it does not eliminate any particular viewpoint—only particular words. Appellee’s En Banc Br. 39–40. It argues that under § 2(a), two marks with diametrically opposed viewpoints will both be refused, so long as those marks use the same disparaging term. *Id.* 39–40. It points to Mr. Tam—who does not seek to express an anti-Asian viewpoint—as proof. It cites a statement in *R.A.V.* that a hypothetical statute that prohibited “odious racial epithets . . . to proponents of all views” would not be viewpoint discriminatory. *Id.* 40 (quoting 505 U.S. at 391); see also *Ridley v. Mass. Bay Transp. Auth.*, 390 F.3d 65, 90–91 (1st Cir. 2004) (holding that “guidelines prohibiting demeaning or disparaging ads are themselves viewpoint neutral”).

The *R.A.V.* statement does not apply here. The government’s starting point—that it rejects marks conveying diametrically opposed viewpoints, if they contain the same offensive word—is incorrect. The PTO looks at what message the referenced group takes from the applicant’s mark in the context of the applicant’s use, and it denies registration only if the message received is a negative one. Thus, an applicant can register a mark if he shows it is perceived by the referenced group in a positive way, even if the mark contains language that would be offensive in another context. For example, the PTO registered the mark DYKES ON BIKES, U.S. Reg. No. 3,323,803, after the applicant showed the term was often enough used with pride among the relevant population. In *Squaw Valley*, the Board allowed the registration of the mark SQUAW VALLEY in connection with one of the applied-for classes of goods (namely, skiing-related products), but not in connection with a different class of goods. 80 U.S.P.Q.2d at *22. Section 2(a) does not treat identical marks the same. A mark that is viewed by a substantial

composite of the referenced group as disparaging is rejected. It is thus the viewpoint of the message conveyed which causes the government to burden the speech. This form of regulation cannot reasonably be argued to be content neutral or viewpoint neutral.

The government's argument also fails because denial of registration under § 2(a) turns on the referenced group's perception of a mark. Speech that is offensive or hostile to a particular group conveys a distinct viewpoint from speech that carries a positive message about the group. STOP THE ISLAMISATION OF AMERICA and THINK ISLAM express two different viewpoints. Under § 2(a), one of these viewpoints garners the benefits of registration, and one does not. The government enacted § 2(a), and defends it today, because it is hostile to the messages conveyed by the refused marks. Section 2(a) is a viewpoint-discriminatory regulation of speech, created and applied in order to stifle the use of certain disfavored messages. Strict scrutiny therefore governs its First Amendment assessment—and no argument has been made that the measure survives such scrutiny.

B. The Disparagement Provision Regulates the Expressive Aspects of the Mark, Not Its Function As Commercial Speech

The government cannot escape strict scrutiny by arguing that § 2(a) regulates commercial speech. True, trademarks identify the source of a product or service, and therefore play a role in the “dissemination of information as to who is producing and selling what product, for what reason, and at what price.” *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 765 (1976). But they very commonly do much more than that. And, critically, it is always a mark's expressive character, not its ability to serve as a source identifier, that is the basis for the disparagement exclusion from registration. The disparagement provision

must be assessed under First Amendment standards applicable to what it targets, which is not the commercial-speech function of the mark.

This case exemplifies how marks often have an expressive aspect over and above their commercial-speech aspect. Mr. Tam explicitly selected his mark to create a dialogue on controversial political and social issues. With his band name, Mr. Tam makes a statement about racial and ethnic identity. He seeks to shift the meaning of, and thereby reclaim, an emotionally charged word. He advocates for social change and challenges perceptions of people of Asian descent. His band name pushes people. It offends. Despite this—indeed, because of it—Mr. Tam’s band name is expressive speech.

Importantly, *every time* the PTO refuses to register a mark under § 2(a), it does so because it believes the mark conveys an expressive message—a message that is disparaging to certain groups. STOP THE ISLAMISATION OF AMERICA is expressive. In refusing to register the mark, the Board explained that the “mark’s admonition to ‘STOP’ Islamisation in America ‘sets a negative tone and signals that Islamization is undesirable and is something that must be brought to an end in America.’” *Geller*, 751 F.3d at 1361. And by finding HEEB and SQUAW VALLEY disparaging, the PTO necessarily did so based on its finding that the marks convey an expressive message over and above their function as source identifiers—namely, an expressive message disparaging Jewish and Native American people. It was these expressive messages that the government found objectionable, and that led the government to refuse to register or to cancel the marks. In doing so, the government made moral judgments based solely and indisputably on the marks’ expressive content. Every single time registration is refused or cancelled pursuant to the disparagement provision, it is based upon a determination by the government that the expressive content of the message is unsuitable because it

would be viewed by the referenced group as disparaging them.

“Commercial speech is no exception” to the need for heightened scrutiny of content-based impositions seeking to curtail the communication of particular information or messages. *Sorrell*, 131 S. Ct. at 2664. Indeed, “[a] consumer’s concern for the free flow of commercial speech often may be far keener than his concern for urgent political dialogue.” *Id.* (internal quotation marks omitted). Strict scrutiny must apply to a government regulation that is directed at the expressive component of speech. That the speech is used in commerce or has a commercial component should not change the inquiry when the government regulation is entirely directed to the expressive component of the speech. This is not a government regulation aimed at the commercial component of speech. *See Va. State Bd. of Pharmacy*, 425 U.S. at 765 (commercial speech involves the “dissemination of information as to who is producing and selling what product, for what reason, and at what price”); *see id.* at 762 (defining “commercial speech” as speech that does “no more than propose a commercial transaction”); *Bd. of Trs. of State Univ. of N.Y. v. Fox*, 492 U.S. 469, 473–74 (1989); *City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 423 (1993).

In *R.A.V.*, the Supreme Court explained the key point: under First Amendment law, government measures often affect speech that has a dual character, and when they do, which First Amendment standard is applicable depends on which aspect of the speech is targeted by the measure being reviewed. *See* 505 U.S. at 385 (“The proposition that a particular instance of speech can be proscribable on the basis of one feature (*e.g.*, obscenity) but not on the basis of another (*e.g.*, opposition to the city government) is commonplace and has found application in many contexts.”). In particular, commercial speech that is “inextricably intertwined” with expressive speech is treated as

expressive speech under the First Amendment when the expressive aspect is being regulated. *Riley v. Nat'l Fed'n of the Blind*, 487 U.S. 781, 796 (1988). Here, § 2(a) targets speech that is of “public concern,” because it “can be fairly considered as relating to any matter of political, social, or other concern to the community.” *Snyder v. Phelps*, 562 U.S. 443, 453 (2011) (internal quotation marks omitted). It therefore “occupies the highest rung of the hierarchy of First Amendment values, and is entitled to special protection.” *Id.* at 452 (internal quotation marks omitted).

Because § 2(a) discriminates on the basis of the content of the message conveyed by the speech, it follows that it is presumptively invalid, and must satisfy strict scrutiny to be found constitutional. “In the ordinary case it is all but dispositive to conclude that a law is content-based and, in practice, viewpoint-discriminatory.” *Sorrell*, 131 S. Ct. at 2667. The government here does not even argue that § 2(a) satisfies strict scrutiny.

II. Section 2(a) Is Not Saved From Strict Scrutiny Because It Bans No Speech or By Government-Speech or Government-Subsidy Doctrines

Faced with the daunting prospect of defending a content- and viewpoint-discriminatory regulation of speech, the government argues that § 2(a) does not implicate the First Amendment at all. First, the government suggests that § 2(a) is immune from First Amendment scrutiny because it prohibits no speech, but leaves Mr. Tam free to name his band as he wishes and use this name in commerce. Second, the government suggests that trademark registration is government speech, and thus the government can grant and reject trademark registrations without implicating the First Amendment. Finally, the government argues that § 2(a) merely withholds a government subsidy for Mr. Tam’s speech and is valid as a

permissible definition of a government subsidy program. We reject each of the government's arguments.

A. Strict Scrutiny Applies to § 2(a), Which Significantly Chills Private Speech on Discriminatory Grounds, Though It Does Not Ban Speech

The government argues that § 2(a) does not implicate the First Amendment because it does not prohibit any speech. Appellee's En Banc Br. 17. The government's argument is essentially the same as that of our predecessor court in *McGinley*: "it is clear that the PTO's refusal to register appellant's mark does not affect his right to use it. No conduct is proscribed, and no tangible form of expression is suppressed." 660 F.2d at 484 (citations omitted). But the First Amendment's standards, including those broadly invalidating message discrimination, are not limited to such prohibitions. See *Pitt News v. Pappert*, 379 F.3d 96, 111–12 (3d Cir. 2004) (Alito, J.) ("The threat to the First Amendment arises from the imposition of financial burdens that may have the effect of influencing or suppressing speech, and whether those burdens take the form of taxes or some other form is unimportant.").

The point has been recognized in various doctrinal settings. "For if the government could deny a benefit to a person because of his constitutionally protected speech or associations, his exercise of those freedoms would in effect be penalized and inhibited. This would allow the government to produce a result which it could not command directly." *Perry v. Sindermann*, 408 U.S. 593, 597 (1972) (internal quotation marks and alterations omitted). This premise—that denial of a benefit would chill exercise of the constitutional right—undergirds every unconstitutional conditions doctrine case, discussed *infra*. See, e.g., *Speiser v. Randall*, 357 U.S. 513, 518 (1958) ("It is settled that speech can be effectively limited by the exercise of the taxing power. To deny an exemption to claimants who

engage in certain forms of speech is in effect to penalize them for such speech.” (citation omitted)); *Bd. of Cty. Comm’rs v. Umbehr*, 518 U.S. 668, 674 (1996) (loss of a valuable benefit “in retaliation for speech may chill speech on matters of public concern”); *Legal Servs. Corp. v. Velazquez*, 531 U.S. 533, 545 (2001); *Rosenberger*, 515 U.S. at 835 (explaining that “[v]ital First Amendment speech principles are at stake here,” including danger arising “from the chilling of individual thought and expression”).

The general principle is clear: “Lawmakers may no more silence unwanted speech by burdening its utterance than by censoring its content.” *Sorrell*, 131 S. Ct. at 2664. “[T]he government’s ability to impose content-based burdens on speech raises the specter that the government may effectively drive certain ideas or viewpoints from the marketplace.” *Simon & Schuster*, 502 U.S. at 116. A law may burden speech even when it does so indirectly. In *Sorrell*, the challenged statute did not directly ban speech, but rather forbade certain pharmaceutical marketing executives from obtaining and using information that could help them market their products more effectively. 131 S. Ct. at 2659–60. The Court found that the state “ha[d] burdened a form of protected expression,” while leaving “unburdened those speakers whose messages are in accord with its own views.” *Id.* at 2672.

Here, too, § 2(a) burdens some speakers and benefits others. And while it is true that a trademark owner may use its mark in commerce even without federal registration, it has been widely recognized that federal trademark registration bestows *truly* significant and financially valuable benefits upon markholders. *B&B Hardware*, 135 S. Ct. at 1300; *Park ’N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 199–200 (1985) (valuable new rights were created by the Lanham Act); *McCarthy* at § 19:9, :11 (“Registration of a mark on the federal Principal Register confers a number of procedural and substantive legal

advantages over reliance on common law rights. . . . Registration on the Principal Register should be attempted if it is at all possible.”); McCarthy at § 2:14 (“Businesspeople regard trademarks as valuable assets and are willing to pay large sums to buy or license a well-known mark.”); Lee Ann W. Lockridge, *Abolishing State Trademark Registrations*, 29 *Cardozo Arts & Ent. L.J.* 597, 605 (2011) (“[T]he incentives to pursue federal registration. . . are now so significant as to make federal registration indispensable for any owner making an informed decision about its trademark rights. A federal registration is the only rational choice.”); Susan M. Richey, *The Second Kind of Sin: Making the Case for a Duty to Disclose Facts Related to Genericism and Functionality in the Trademark Office*, 67 *Wash. & Lee L. Rev.* 137, 174 (2010) (“Federal registration has evolved into a powerful tool for trademark holders”); Patricia Kimball Fletcher, *Joint Registration of Trademarks and the Economic Value of a Trademark System*, 36 *U. Miami L. Rev.* 297, 298–99 (1982) (“Federal registration under the Lanham Act is advantageous, however, because it increases the owner’s legal rights in the mark, making the mark itself more valuable. Thus, trademark owners have significant legal and economic interests in obtaining federal registration of trademarks.”).

Denial of these benefits creates a serious disincentive to adopt a mark which the government may deem offensive or disparaging. *Br. of Amici Curiae ACLU* 12 (“If a group fears that its chosen name will be denied federal trademark protection by the government’s invocation of Section 2(a), it will be less likely to adopt the name, at least in part because the associative value of the trademark itself is lessened when it is unlikely that a group will be the exclusive holder of that mark.”); *Br. of Amicus Curiae Pro-Football, Inc.* 15 (“Section 2(a) certainly works to chill speech Through it, the Government uses threatened denial of registration to encourage potential

registrants not to use ‘disparaging’ names. Faced with the possibility of being denied a registration—or worse, cancellation after years of investment-backed brand development—new brand owners are more likely to avoid brand names that may be arguably controversial for fear of later being deemed ‘disparaging.’”); Br. of Amicus Curiae First Amendment Lawyers Ass’n 7 (“Individuals and businesses refrain from using certain terms as trademarks for fear the PTO might see the terms as immoral, scandalous, or derogatory, in violation of section 2(a). Such self-censorship narrows the spectrum of speech in the public marketplace.”); Br. of Amici Curiae Rutherford Inst. 12 (“Denial of registration indisputably has the effect of placing applicants at a legal and financial disadvantage.”); Jeffrey Lefstin, *Does the First Amendment Bar Cancellation of Redskins?*, 52 Stan. L. Rev. 665, 678 (2000) (“[I]t is clear that section 2(a) of the Lanham Act, by denying the valuable registration right to scandalous or disparaging trademarks, imposes a financial disincentive to the use of such marks in commercial communication.”); Michelle B. Lee, *Section 2(a) of the Lanham Act as a Restriction on Sports Team Names: Has Political Correctness Gone Too Far?*, 4 Sports L.J. 65, 69 (1997) (“Use [of disparaging marks] is discouraged by cancellation of registration by a loss of the benefits that go along with it. These benefits go well beyond those granted by the common law, and a loss of them will remove advantages which make the property more valuable.”).

For those reasons, the § 2(a) bar on registration creates a strong disincentive to choose a “disparaging” mark. And that disincentive is not cabined to a clearly understandable range of expressions. The statute extends the uncertainty to marks that “may disparage.” 15 U.S.C. § 1052(a). The uncertainty as to what *might be deemed*

disparaging is not only evident on its face, given the subjective-reaction element and shifting usages in different parts of society.⁶ It is confirmed by the record of PTO grants and denials over the years, from which the public would have a hard time drawing much reliable guidance.⁷

⁶ In 1939, the Assistant Commissioner of Patents testified during congressional hearings on the Lanham Act that “it is always going to be just a matter of the personal opinion of the individual parties as to whether they think it is disparaging.” See Hearings on H.R. 4744 Before the Subcomm. on Trademarks of the House Comm. on Patents, 76th Cong., 1st Sess. 18–21 (1939) (statement of Leslie Frazer, Assistant Comm’r of Patents) (Mr. Frazer). And further interpretation has helped little. The definition of a disparaging mark—a mark that “dishonors by comparison with what is inferior, slights, deprecates, degrades, or affects or injures by unjust comparison”—provides little clarity. *Geller*, 751 F.3d at 1358 (alterations omitted). In *In re In Over Our Heads*, the PTO admitted that “[t]he guidelines for determining whether a mark is scandalous or disparaging are somewhat vague and the determination of whether a mark is scandalous or disparaging is necessarily a highly subjective one.” No. 755,278, 1990 WL 354546, at *1 (T.T.A.B. 1990) (alterations and quotation marks omitted).

⁷ The PTO’s record of trademark registrations and denials often appears arbitrary and is rife with inconsistency. The PTO denied the mark HAVE YOU HEARD SATAN IS A REPUBLICAN because it disparaged the Republican Party, App. Ser. No. 85/077647, but did not find the mark THE DEVIL IS A DEMOCRAT disparaging, App. Ser. No. 85/525,066 (abandoned after publication for other reasons). The PTO registered the mark FAGDOG three times and refused it twice, at least once

Such uncertainty of speech-affecting standards has long been recognized as a First Amendment problem, *e.g.*, in the overbreadth doctrine. *See Broadrick v. Oklahoma*, 413 U.S. 601, 613, 615 (1973). It has also been recognized as a problem under Fifth Amendment vagueness standards as they have been specially applied in the First Amendment setting.⁸ All we need say about the uncer-

as disparaging. *Compare* Reg. Nos. 2,926,775; 2,828,396; and 3,174,475, *with* App. Ser. Nos. 76/454,927 and 75/950,535. The PTO refused to register the marks FAG FOREVER A GENIUS!, App. Ser. No. 86/089,512, and MARRIAGE IS FOR FAGS, App. Ser. No. 77/477,549, but allowed the mark F*A*G FABULOUS AND GAY, Reg. No. 2,997,761 (abandoned after publication for other reasons). And PTO examiners have registered DANGEROUS NEGRO, CELEBRETARDS, STINKY GRINGO, MIDGET-MAN, and OFF-WHITE TRASH—all marks that could be offensive to a substantial composite of the referenced group. We see no rationale for the PTO’s seemingly arbitrary registration decisions, let alone one that would give applicants much guidance.

⁸ A vague law that regulates speech on the basis of message “raises special First Amendment concerns because of its obvious chilling effect on free speech.” *Reno v. ACLU*, 521 U.S. 844, 871–72 (1997). Thus, if a “law interferes with the right of free speech or of association, a more stringent vagueness test should apply.” *Vill. of Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489, 499 (1982). The Supreme Court reiterated these principles just three years ago:

Even when speech is not at issue, the void for vagueness doctrine addresses at least two connected but discrete due process concerns: first, that regulated parties should know what is re-

tainty here, however, is that it contributes significantly to the chilling effect on speech.

The disincentive to choose a particular mark extends to any mark that could require the expenditure of substantial resources in litigating to obtain registration in the first place. And the disincentive does not stop there, because the disparagement determination is not a one-time matter. Even if an applicant obtains a registration initially, the mark may be challenged in a cancellation proceeding years later. Thus, after years of investment in promoting a registered mark and coming to be known by it, a mark's owner may have to (re)litigate its character under § 2(a) and might lose the registration. This effectively forces the mark's owner to find a new mark and make substantial new investments in educating the public that the products known by the old mark are now known by the new mark and, more generally, in establishing recognition of the new mark. The "disparagement" standard steers applicants away from choosing a mark that might result in these problems any time in the future.

Not surprisingly, "those who are denied registration under Section 2(a) often abandon the denied application

quired of them so they may act accordingly; second, precision and guidance are necessary so that those enforcing the law do not act in an arbitrary or discriminatory way. *See Grayned v. City of Rockford*, 408 U.S. 104, 108–109 (1972). When speech is involved, rigorous adherence to those requirements is necessary to ensure that ambiguity does not chill protected speech.

F.C.C. v. Fox Television Stations, Inc., 132 S. Ct. 2307, 2317–18 (2012).

and file a new one, indicating that they have changed their name rather than bear the costs of using a ‘disparaging’ mark or challenge the PTO’s determination.” Br. of Amicus Curiae Pro-Football, Inc. 15. In many cases, as soon as a trademark examiner issues a rejection based upon disparagement, the applicant immediately abandons the trademark application. *See, e.g.*, AMISHHOMO (abandoned 2013); MORMON WHISKEY (abandoned 2012); HAVE YOU HEARD THAT SATAN IS A REPUBLICAN? (abandoned 2010); DEMOCRATS SHOULDN’T BREED (abandoned 2008); REPUBLICANS SHOULDN’T BREED (abandoned 2008); 2 DYKE MINIMUM (abandoned 2007); WET BAC/WET B.A.C. (abandoned 2007); DON’T BE A WET BACK (abandoned 2006); FAGDOG (abandoned 2003).

The importance of the benefits of federal trademark registration explains the strength of the incentive to avoid marks that are vulnerable under § 2(a). For example, the holder of a federally registered trademark has a right to exclusive nationwide use of that mark anywhere there is not already a prior use that proceeds registration. *See* 15 U.S.C. §§ 1072, 1115. In the absence of federal registration, if a trademark owner has any common law rights, they are “limited to the territory in which the mark is known and recognized by those in the defined group of potential customers.” McCarthy at § 26:2. Without the recognition of nationwide constructive use conferred by federal registration, a competitor can swoop in and adopt the same mark for the same goods in a different location. Without federal registration, the applicant does not have prima facie evidence of the mark’s validity or its ownership or exclusive use of the mark. 15 U.S.C. § 1057(b). And a common law trademark can never become incontestable. *Id.* § 1065. Without federal registration, a trademark user cannot stop importation of goods bearing the mark, or recover treble damages for willful infringe-

ment. *Id.* §§ 1117, 1124. The common law provides no rights like these.

Contrary to the suggestion by the government, Mr. Tam is likely also barred from registering his mark in nearly every state. Three years after the enactment of the Lanham Act, the United States Trademark Association prepared the Model State Trademark Act—a bill patterned on the Lanham Act in many respects. McCarthy at § 22:5. The Model Act contains language barring a mark from registration if it “consists of or comprises matter which may disparage . . . persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.” 1964 Model State Trademark Act, § 2. Following the lead of the federal government, virtually all states have adopted the Model Act and its disparagement provision. McCarthy at § 22:5. Thus, not only are the benefits of federal registration unavailable to Mr. Tam, so too are the benefits of trademark registration in nearly all states.⁹

The government argues that the denial of Mr. Tam’s registration “does not eliminate any common-law rights that might exist in [his] mark.” Appellee’s En Banc Br. 20. But as the government’s use of “might” indicates, it is unclear whether Mr. Tam could actually enforce any common law rights to a disparaging mark.¹⁰ The 1964

⁹ And even if Mr. Tam could register his mark in a state, the benefits of state registration are limited by the boundaries of the individual state or the geographic scope of the actual use of the mark within the state. They are by no means the nationwide benefits afforded to federally registered trademarks.

¹⁰ Not surprisingly, holders of disparaging marks like Mr. Tam have not argued that they lack these common law rights on account of their marks not being regis-

Model State Trademark Act, which most states have adopted, provides that “[n]othing herein shall adversely affect the rights or the enforcement of rights in marks acquired in good faith at any time at common law.” § 14. However, the term “mark” is defined as “any trademark or service mark *entitled* to registration under this Act whether registered or not.” § 1.C (emphasis added). Common law rights to a mark may thus be limited to marks “entitled to registration.” Whether a user of an unregistrable, disparaging mark has any enforceable common law rights is at best unclear. See Justin G. Blankenship, *The Cancellation of Redskins as a Disparaging Trademark: Is Federal Trademark Law an Appropriate Solution for Words That Offend?*, 72 U. Colo. L. Rev. 415, 451 (2001) (“[A]ny mark that is canceled under section 2(a) of the Lanham Act for being scandalous or disparaging is unlikely to find much protection under common law principles either, although this will ultimately be determined by state courts applying their own common law principles.”); Llewellyn Joseph Gibbons, *Semiotics of the Scandalous and the Immoral and the Disparaging: Section 2(A) Trademark Law After Lawrence v. Texas*, 9 Marq. Intell. Prop. L. Rev. 187, 232 (2005) (“[A]s immoral, scandalous, and/or disparaging marks may not be registered under either state or federal law, nor do they enjoy common law protection, there appears to be no way of establishing a legally recognized property right in these marks.”); Stephen Baird, *Moral Intervention in the Trademark Arena: Banning the Registration of Scandalous and Immoral Trademarks*, 83 TRADEMARK REPORTER 661, 795 (1993) (disparaging marks are presumably “unprotect[a]ble pursuant to state common law”). The Restatement (Third) of Unfair Competition notes that

table. They have little incentive to give this argument away.

the Lanham Act and the Model State Trademark Bill both prohibit registration of disparaging marks and that adoption and use of such marks may preclude enforcement under the common law doctrine of unclean hands. Restatement (Third) of Unfair Competition § 32 cmt. c (1995). The government has not pointed to a single case where the common-law holder of a disparaging mark was able to enforce that mark, nor could we find one. The government’s suggestion that Mr. Tam has common-law rights to his mark appears illusory.¹¹

¹¹ The government also argues that Mr. Tam “may” have rights under 15 U.S.C. § 1125(a) (“Section 43(a)”). First, those rights would not include the benefits afforded to federally registered marks. Furthermore, it is not at all clear that Mr. Tam could bring a § 43(a) unfair competition claim. Section 43(a) allows for a federal suit to protect an unregistered trademark, much like state common law. But there is no authority extending § 43(a) to marks denied under § 2(a)’s disparagement provision. To the contrary, courts have suggested that § 43(a) is only available for marks that are registrable under § 2. See *Two Pesos*, 505 U.S. at 768 (section 43(a) “protects qualifying unregistered trademarks and . . . the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)”); *Yarmuth-Dion, Inc. v. Dion Furs, Inc.*, 835 F.2d 990, 992 (2d Cir. 1987) (requiring a plaintiff to “demonstrate that his [unregistered] mark merits protection under the Lanham Act”); see also *Renna v. Cty. of Union*, 88 F. Supp. 3d 310, 320 (D.N.J. 2014) (“Section 2 declares certain marks to be unregistrable because they are inappropriate subjects for trademark protection. It follows that such unregistrable marks, not actionable as

Whether Mr. Tam has enforceable common-law rights to his mark or could bring suit under § 43(a) does not change our conclusion. Federal trademark registration brings with it valuable substantive and procedural rights unavailable in the absence of registration. These benefits are denied to anyone whose trademark expresses a message that the government finds disparages any group, Mr. Tam included. The loss of these rights, standing alone, is enough for us to conclude that § 2(a) has a chilling effect on speech. Denial of federal trademark registration on the basis of the government’s disapproval of the message conveyed by certain trademarks violates the guarantees of the First Amendment.

B. Trademark Registration Is Not Government Speech

The government suggests, and several amici argue, that trademark registration is government speech, and as such outside the coverage of the First Amendment. *See* Appellee’s En Banc Br. 41–42; Br. of Amici Curiae Nat’l Asian Pacific Am. Bar Ass’n 19–22; Br. of Amici Curiae Blackhorse 13–23. “The Free Speech Clause restricts government regulation of private speech; it does not regulate government speech.” *Pleasant Grove City v. Summum*, 555 U.S. 460, 467 (2009). Although we find it difficult to understand the government’s precise position as to how trademark registration constitutes government speech, we conclude that there is no government speech at issue in the rejection of disparaging trademark registrations that would insulate § 2(a) from First Amendment review.

registered marks under Section 32, are not actionable under Section 43, either.”). And we have found no case allowing a § 43(a) action on a mark rejected or cancelled under § 2(a).

Wisely, the government does not argue that a markholder's use or enforcement of its federally registered trademark is government speech. Use of a mark by its owner is clearly private speech. Trademarks identify the source of a product, and are often closely associated with the actual product. A mark's purpose—to identify the source of goods—is antithetical to the notion that a trademark is tied to the government. The fact that COCA COLA and PEPSI may be registered trademarks does not mean the government has endorsed these brands of cola, or prefers them over other brands. We see no reason that a markholder's use of its mark constitutes government speech.

Instead, the government appears to argue that trademark registration and the accoutrements of registration—such as the registrant's right to attach the ® symbol to the registered mark, the mark's placement on the Principal Register, and the issuance of a certificate of registration—amount to government speech. *See* Oral Argument at 52:40–53:07; 54:20–54:32. This argument is meritless. Trademark registration is a regulatory activity. These manifestations of government registration do not convert the underlying speech to government speech. And if they do, then copyright registration would likewise amount to government speech. Copyright registration has identical accoutrements—the registrant can attach the © symbol to its work, registered copyrights are listed in a government database, and the copyright owner receives a certificate of registration. The logical extension of the government's argument is that these indicia of registration convert the underlying speech into government speech unprotected by the First Amendment. Thus, the government would be free, under this logic, to prohibit the copyright registration of any work deemed immoral, scandalous, or disparaging to others. This sort of censorship is not consistent with the First Amendment or government speech jurisprudence.

In *Walker v. Texas Division, Sons of Confederate Veterans, Inc.*, the Supreme Court detailed the indicia of government speech. 135 S. Ct. 2239 (2015). The Court concluded that specialty license plates were government speech, even though a state law allowed individuals, organizations, and nonprofit groups to request certain designs. The Court found several considerations weighing in favor of this holding. It emphasized that “the history of license plates shows that, insofar as license plates have conveyed more than state names and vehicle identification numbers, they long have communicated messages from the States.” *Id.* at 2248. It stressed that “[t]he State places the name ‘TEXAS’ in large letters at the top of every plate,” that “the State requires Texas vehicle owners to display license plates, and every Texas license plate is issued by the State,” that “Texas also owns the designs on its license plates,” and that “Texas dictates the manner in which drivers may dispose of unused plates.” *Id.* As a consequence, the Court reasoned, “Texas license plate designs ‘are often closely identified in the public mind with the State.’” *Id.* (quoting *Summum*, 555 U.S. at 472 (alteration omitted)). Amidst all of its other aspects of control, moreover, “Texas maintains direct control over the messages conveyed on its specialty plates.” *Id.* at 2249. “Indeed, a person who displays a message on a Texas license plate likely intends to convey to the public that the State has endorsed that message.” *Id.*

The government’s argument in this case that trademark registration amounts to government speech is at odds with the Supreme Court’s analysis in *Walker* and unmoored from the very concept of government speech. When the government registers a trademark, the only message it conveys is that a mark is registered. The vast array of private trademarks are not created by the government, owned or monopolized by the government, sized and formatted by the government, immediately understood as performing any government function (like

unique, visible vehicle identification), aligned with the government, or (putting aside any specific government-secured trademarks) used as a platform for government speech. There is simply no meaningful basis for finding that consumers associate registered private trademarks with the government.

Indeed, the PTO routinely registers marks that no one can say the government endorses. *See, e.g.*, RADICALLY FOLLOWING CHRIST IN MISSION TOGETHER, U.S. Reg. No. 4,759,522; THINK ISLAM, U.S. Reg. No. 4,719,002 (religious marks); GANJA UNIVERSITY, U.S. Reg. No. 4,070,160 (drug-related); CAPITALISM SUCKS DONKEY BALLS, U.S. Reg. No. 4,744,351; TAKE YO PANTIES OFF, U.S. Reg. No. 4,824,028; and MURDER 4 HIRE, U.S. Reg. No. 3,605,862. As the government itself explains, “the USPTO does not endorse any particular product, service, mark, or registrant” when it registers a mark. Appellee’s En Banc Br. 44. For decades, the government has maintained that:

[J]ust as the issuance of a trademark registration by this Office does not amount to government endorsement of the quality of the goods to which the mark is applied, the act of registration is not a government imprimatur or pronouncement that the mark is a “good” one in an aesthetic, or any analogous, sense.

In re Old Glory Condom Corp., 26 U.S.P.Q.2d 1216, 1219–20 n.3 (T.T.A.B. Mar. 3, 1993); *see also* McCarthy at § 19:3.50 (“[G]overnment registration of a mark is neither a government endorsement of the quality of the goods to which the mark is applied nor a government pronouncement that the mark is a good or reliable one in any moral or commercial sense.”); Jeffrey Lefstin, *Does the First Amendment Bar Cancellation of Redskins?*, 52 Stan. L. Rev. 665, 684 (2000) (“The overwhelming majority of the public encounters trademarks in their roles as product

identifiers, not as the beneficiaries of a federal registration scheme. The public is unlikely to believe that a registered trademark designation accompanying a word or logo on a product reflects government endorsement.”). Trademarks are understood in society to identify the source of the goods sold, and to the extent that they convey an expressive message, that message is associated with the private party that supplies the goods or services. Trademarks are not understood to convey a government message or carry a government endorsement.

The government argues that use of the ® symbol, being listed in a database of registered marks, and having been issued a registration certificate makes trademark registration government speech. These incidents of registration do not convert private speech into government speech. The government does not own the trademark designs or the underlying goods to which the trademark is affixed as the state owned the license plates in *Walker*. Markholders are not even required to use the ® symbol on their goods. 15 U.S.C. § 1111. And if simply affixing the ® symbol converted private speech into government speech then the government would be free to regulate the content, viewpoint, and messages of registered copyrights. A copyright registration likewise allows the copyright owner to affix a © symbol, 17 U.S.C. § 401, but this symbol does not convert the copyrighted work into government speech or permit the government to grant some copyrights and deny others on account of the work’s message. Just as the public does not associate the copyrighted works *Nigger: The Strange Career of a Troublesome Word* or *Fifty Shades of Grey* with the government, neither does the public associate individual trademarks such as THE SLANTS with the government.

Similarly, a registered mark’s placement on the Principal Register or publication in the PTO’s Official Gazette does not morph the private expression being registered into government expression. As a preliminary matter, it

is not entirely clear what the Principal Register is. There is apparently no government-published book of all trademark registrations; instead, the Principal Register is at most an internet database hosted on the PTO's website. See U.S. Patent and Trademark Office, Search Trademark Database, *available at* <http://www.uspto.gov/trademarks-application-process/search-trademark-database>. If being listed in a government database or published in a list of registrations were enough to convert private speech to government speech, nearly every action the government takes—every parade permit granted, every property title recorded, every hunting or fishing license issued—would amount to government speech. The government could record recipients of parade permits in an official database or publish them weekly, thus insulating content-based grants of these permits from judicial review. Governmental agencies could assign TV and radio licenses and states could refuse to license medical doctors with no First Amendment oversight by “registering” these licenses in an online database, or by allowing licensees to display a mark by their name. The fact that the government records a trademark in a database of all registered trademarks cannot possibly be the basis for concluding that government speech is involved.

Finally, the issuance of a registration certificate signed by the Director with the seal of the United States Patent and Trademark Office does not convert private expression or registration into government speech. This is a certificate, a piece of paper, which the trademark owner is free to do with as it wishes. The government maintains no control over the certificates. The government does not require companies to display their trademark registration certificate, or dictate the manner in which markholders may dispose of unused registration certificates. It is not public like license plates or monuments. When copyrights are granted, the copyright owner receives a similar registration certificate with the seal

and signed by the Registrar of Copyrights. 17 U.S.C. § 410(a). And patents issue “in the name of the United States of America, under the seal of the Patent and Trademark Office,” with a gold seal and red ribbon attached. 35 U.S.C. § 153; *see also* U.S. Patent and Trademark Office, Patent Process Overview, *available at* <http://www.uspto.gov/patents-getting-started/patent-process-overview#step7> (explaining that patent grants are issued with “a gold seal and red ribbon on the cover”). These certificates do not convert the registered subject matter into government speech such that the government is free to regulate its content. The public simply does not view these registration certificates as the government’s expression of its ideas or as the government’s endorsement of the ideas, inventions, or trademarks of the private speakers to whom they are issued.

In short, the act of registration, which includes the right (but not the obligation) to put an ® symbol on one’s goods, receiving a registration certificate, and being listed in a government database, simply cannot amount to government speech. The PTO’s processing of trademark registrations no more transforms private speech into government speech than when the government issues permits for street parades, copyright registration certificates, or, for that matter, grants medical, hunting, fishing, or drivers licenses, or records property titles, birth certificates, or articles of incorporation. To conclude otherwise would transform every act of government registration into one of government speech and thus allow rampant viewpoint discrimination. When the government registers a trademark, it regulates private speech. It does not speak for itself.

C. Section 2(a) Is Not a Government Subsidy Exempt from Strict Scrutiny

We reject the government’s argument that § 2(a)’s message-based discrimination is merely the government’s

shaping of a subsidy program. The government's defense is contrary to the long-established unconstitutional conditions doctrine. The Supreme Court has repeatedly invalidated denials of "benefits" based on message-based disapproval of private speech that is not part of a government-speech program. In such circumstances, denial of an otherwise-available benefit is unconstitutional at least where, as here, it has a significant chilling effect on private speech. *Bd. of Cty. Comm'rs*, 518 U.S. at 674 (1996) (explaining that "the threat of the loss of [a valuable financial benefit] in retaliation for speech may chill speech on matters of public concern"); *id.* ("[r]ecognizing that constitutional violations may arise from the deterrent, or 'chilling,' effect of governmental efforts that fall short of a direct prohibition against the exercise of First Amendment rights") (citations and alterations omitted).

Under the unconstitutional conditions doctrine:

[E]ven though a person has no 'right' to a valuable governmental benefit and even though the government may deny him the benefit for any number of reasons, there are some reasons upon which the government may not rely. It may not deny a benefit to a person on a basis that infringes his constitutionally protected interests—especially, his interest in freedom of speech.

Perry, 408 U.S. at 597. The Supreme Court, applying this doctrine, held that a state college could not refuse to retain a professor because of his public criticism of that college's policy, even though the professor had no right to reemployment, and even though the government had not directly prohibited the professor from speaking. *Id.* at 597–98. This is because "[t]o deny [a benefit] to claimants who engage in certain forms of speech is in effect to penalize them for such speech." *Speiser v. Randall*, 357 U.S. 513, 518 (1958); *Perry*, 408 U.S. at 597 ("For if the government could deny a benefit to a person because of

his constitutionally protected speech or associations, his exercise of those freedoms would in effect be penalized and inhibited.”).

Since *Perry*, the Supreme Court has wrestled with how to apply the unconstitutional conditions doctrine while protecting Congress’s ability to direct government spending. The Spending Clause of the U.S. Constitution, which grants Congress the power “[t]o lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States,” U.S. Const. Art. I, § 8, cl. 1, “provides Congress broad discretion to tax and spend for the ‘general Welfare,’ including by funding particular state or private programs or activities.” *Agency for Int’l Dev. v. Alliance for Open Soc’y Int’l, Inc.*, 133 S. Ct. 2321, 2327–28 (2013). This includes “the authority to impose limits on the use of such funds to ensure they are used in the manner Congress intends,” even when these limits exclude protected speech or other constitutionally protected conduct. *Id.* at 2328 (citing *Rust v. Sullivan*, 500 U.S. 173, 195 n.4 (1991)). The Court reasoned that “if a party objects to a condition on the receipt of federal funding,” it can always decline the funds. *Id.*

“[W]hen the Government appropriates public funds to establish a program it is entitled to define the limits of that program.” *United States v. Am. Library Ass’n*, 539 U.S. 194, 211 (2003) (quoting *Rust*, 500 U.S. at 194). For purposes of a message-discriminatory condition on the grant of government funds, the Supreme Court has said that the government can “disburse[] public funds to private entities to convey a governmental message.” *Legal Servs. Corp. v. Velazquez*, 531 U.S. 533, 541 (2001) (citation omitted). When it does so, “it may take legitimate and appropriate steps to ensure that its message is neither garbled nor distorted by the grantee.” *Id.* Therefore, “viewpoint-based funding decisions can be sustained in instances . . . in which the government used private

speakers to transmit specific information pertaining to its own program.” *Id.* (citations omitted).

Thus, in *Rust*, the government could prohibit the expenditure of public federal family planning funds on abortion-related counseling because the government distributed those funds to promote the conveying of a particular message. *Rosenberger*, 515 U.S. at 833 (citing *Rust*, 500 U.S. at 194); *Velazquez*, 531 U.S. at 541 (noting that *Rust* must be understood as resting on the conclusion that it involved “government speech”). Relatedly, although there was no majority opinion in *American Library Ass’n*, the Court upheld a specific congressional determination not to give money for technology to be used for supporting particular speech (pornography) in particular circumstances (in public libraries where non-user patrons likely would inadvertently see it), even then only upon confirming the minor nature of the burden on the user patrons involved. 539 U.S. at 211–12 (upholding conditioning public libraries’ receipt of federal subsidies on their use of Internet filtering software, because Congress was entitled to insist that “public funds be spent for the purposes for which they were authorized” (quotation marks omitted)). Earlier, the Court had recognized that tax exemptions or deductions were a form of subsidy for First Amendment analysis. *Regan v. Taxation with Representation of Wash.*, 461 U.S. 540, 544 (1983) (“Both tax exemptions and tax-deductibility are a form of subsidy that is administered through the tax system.”); *id.* (explaining that tax-exempt status “has much the same effect as a cash grant to an organization”).

The government’s discretion to direct its spending, while broad, is not unbounded, and the limits take account of the real-world effect on the speech of those subject to the conditions. If a program arises under the Spending Clause, Congress is free to attach “conditions that define the limits of the government spending program—those that specify the activities Congress wants to

subsidize.” *Agency for Int’l Dev.*, 133 S. Ct. at 2328. However, Congress does not have the authority to attach “conditions that seek to leverage funding to regulate speech outside the contours of the program itself.” *Id.* “Congress cannot recast a condition on funding as a mere definition of its program in every case, lest the First Amendment be reduced to a simple semantic exercise.” *Velazquez*, 531 U.S. at 547. The Court held that Congress could not restrict appropriations aimed at combating the spread of HIV/AIDS to only organizations having policies affirmatively opposing prostitution and sex trafficking, which would make such organizations unable to convey a contrary message. *Agency for Int’l Dev.*, 133 S. Ct. at 2230–31. The Court struck down Congress’s conditioning of funding to public broadcasters on their refraining from editorializing, even with their non-federal money. *FCC v. League of Women Voters*, 468 U.S. 364 (1984). And in *Regan*, the Court, in upholding the subsidy of certain organizations for lobbying, took pains to note the relatively easy work-around for other unsubsidized organizations to achieve a comparable position for lobbying and the absence of any attempt to suppress ideas. 461 U.S. at 548; see *Leathers v. Medlock*, 499 U.S. 439, 452 (1991) (discussing *Regan*).

The government argues that trademark registration is a form of government subsidy that the government may refuse where it disapproves of the message a mark conveys. It contends: “Congress has at least as much discretion to determine which terms and symbols should be registered and published by a federal agency as it would to determine which private entities should receive federal funds.” Appellee’s En Banc Br. 29. But as already described, trademark registration is not a program through which the government is seeking to get its message out through recipients of funding (direct or indirect). And for the reasons described above, the denial of registration has a major chilling effect on private speech, because the

benefits of registration are so substantial. Nor is there a ready work-around to maintain private speech without significant disadvantage. Markholders cannot, for example, realistically have two brand names, one inoffensive, non-disparaging one (which would be able to secure registration) and a second, expressive, disparaging one (which would be unregistrable and unprotectable).

In any event, the scope of the subsidy cases has never been extended to a “benefit” like recognition of legal rights in speakers against private interference. The cases cannot be extended to any “program” conferring legal rights on the theory that the government is free to distribute the legal rights it creates without respecting First Amendment limits on content and viewpoint discrimination. Not surprisingly, the subsidy cases have all involved government funding or government property.

The government cites *Ysursa v. Pocatello Education Ass’n*, 555 U.S. 353 (2009), and *Davenport v. Washington Education Ass’n*, 551 U.S. 177 (2007), in support of its subsidy defense of § 2(a). Appellee’s En Banc Br. 28–29. But they are inapposite. Both *Davenport* and *Ysursa* center on challenges to the constitutionality of state laws limiting the ability of public-sector unions to spend on political speech non-members’ money the unions obtain through the government’s affirmative use of its own payroll systems. *Davenport*, 551 U.S. at 180 (considering constitutionality of law prohibiting payroll deductions for political spending unless the union had the affirmative consent of the non-member); *Ysursa*, 555 U.S. at 355 (considering constitutionality of law completely prohibiting payroll deductions for political spending). Even in the context of use of government property, the Court focused on the absence of viewpoint discrimination, holding that the programs placed a “reasonable, viewpoint-neutral limitation” on the unions’ abilities to enlist the government’s aid in acquiring the money of government employees for spending on political speech to which particular

employees might object. *Davenport*, 551 U.S. at 189; see also *Ysursa*, 555 U.S. at 361 n.3. The prohibitions were not “aimed at the suppression of dangerous ideas.” *Ysursa*, 555 U.S. at 359 (alterations omitted); see also *Davenport*, 551 U.S. at 190 (“Quite obviously, no suppression of ideas is afoot.”).

These cases do not speak to Congress’s power to enact viewpoint-discriminatory regulations like § 2(a). The government does not shy away from the fact that the purpose of § 2(a) is to discourage, and thereby eliminate, disparaging marks, particularly marks that include “the most vile racial epithets,” “religious insults,” “ethnic caricatures,” and “misogynistic images.” Appellee’s En Banc Br. 1–3. On its face, § 2(a) is aimed at the suppression of dangerous ideas, unlike the provisions in *Ysursa* and *Davenport*. Moreover *Ysursa* and *Davenport* both took place in “the unique context of public-sector agency-shop arrangements,” where the government was “act[ing] in a capacity other than as regulator.” *Davenport*, 551 U.S. at 188, 190. Thus, the risk that the government “may effectively drive certain ideas or viewpoints from the marketplace [was] attenuated.” *Id.* at 188. Section 2(a) is regulation of speech that targets expressive content and thereby threatens to drive ideas or viewpoints from the marketplace.

In determining if a condition on a favorable government action is unconstitutional, courts—both before and after *Davenport* and *Ysursa*—have distinguished between government actions that implicate the government’s power to spend and government actions that do not. For example, the Ninth Circuit considered the constitutionality of a treaty under which certain “educational, scientific and cultural audio-visual materials” were granted various benefits, including exemption from import duties. *Bullfrog Films, Inc. v. Wick*, 847 F.2d 502, 503 (9th Cir. 1988). The government argued, as it does here, that the regulations stemming from the treaty did not “punish or directly

obstruct [filmmakers'] ability to produce or disseminate their films,” but amount to “the government simply declining to pay a subsidy.” *Id.* at 509. The Ninth Circuit rejected the government’s “benign characterization” of the regulations and held that the trade benefits were not a subsidy because “no Treasury Department funds [were] involved.” *Id.* at 509. Because the trade benefits were not a subsidy, the Ninth Circuit held that the unconstitutional conditions doctrine applied, and found the treaty and implementing regulations unconstitutional. *Id.* at 511.

The Fifth Circuit, sitting en banc, recently considered the constitutionality of a Texas law allowing charitable organizations to hold bingo games so long as the resulting funds were not used for lobbying. *Dep’t of Tex., Veterans of Foreign Wars v. Tex. Lottery Comm’n*, 760 F.3d 427, 430 (5th Cir. 2014) (en banc). The Texas Lottery Commission argued that the restrictions were constitutional because they fell within the state government’s spending power, which is analogous to the federal government’s spending power. *Id.* at 434. The Fifth Circuit agreed that “the government may attach certain speech restrictions to funds linked to the public treasury—when either granting cash subsidies directly from the public coffers . . . or approving the withholding of funds that otherwise would go to the public treasury.” *Id.* at 435. But it found the Texas bingo program “wholly distinguishable . . . because no public monies or ‘spending’ by the state are involved.” *Id.* at 436. Reasoning that the bingo program’s primary function is regulatory, further “underscor[ing] the incongruity of [applying] the ‘subsidy’ paradigm to the bingo program,” the Fifth Circuit applied the unconstitutional conditions doctrine and found the lobbying provision unconstitutional. *Id.* at 437–41.

Similarly, the D.C. Circuit recently held that a presidential directive barring lobbyists from serving on international trade advisory committees implicated the First Amendment. *Autor v. Pritzker*, 740 F.3d 176, 177 (D.C.

Cir. 2014). The government argued that “when [it] appropriates public funds to establish a program, its decision not to use program funds to subsidize the exercise of a fundamental right does not infringe” the First Amendment. *Id.* at 182 (quotations and alterations omitted). The D.C. Circuit rejected this argument because membership in the advisory committees was a non-financial—albeit valuable—benefit. *Id.* at 182–83. Explaining that “[t]he Supreme Court has never extended the [spending exception] to situations not involving financial benefits,” the D.C. Circuit found the directive could be an unconstitutional condition, and remanded for further consideration. *Id.* at 183–84.

Trademark registration does not implicate Congress’s power to spend or to control use of government property.¹² Trademark registration is not a subsidy. The benefits of trademark registration, while valuable, are not monetary. Unlike a subsidy consisting of, for example, HIV/AIDS funding, or tax exemptions, a trademark registration does not directly affect the public fisc. Instead, a registered trademark redefines the nature of the markholder’s rights as against the rights of other citizens, depriving others of their ability to use the mark. Like the programs in *Bullfrog* and *Texas Lottery Commission*, the system of trademark registration is a regulatory regime, not a government subsidy program.

The government also argues that because the PTO is funded by appropriations, any government spending requirement is met here. Appellee’s En Banc Br. 29–30 (citing 35 U.S.C. § 42(c)(1)–(2)). Trademark registration

¹² Counsel for the United States at oral argument disclaimed the notion that a government forum approach was appropriate in the context of trademark registration. See Oral Argument at 1:14:25–1:14:58; 1:16:20–1:17:15.

fees are collected and, “[t]o the extent and in the amounts provided in advance in appropriations Acts,” made available “to carry out the activities of the [PTO].” 35 U.S.C. § 42(c)(1). However, since 1991 these appropriations have been funded entirely by registration fees, not the taxpayer. *Figueroa v. United States*, 466 F.3d 1023, 1028 (Fed. Cir. 2006); *see also* 56 Fed. Reg. 65147 (1991); Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, S. 10101, 1990 U.S.C.C.A.N. (104 Stat.) 1388. The fact that registration fees cover all of the operating expenses associated with registering marks is further evidence that, despite conveying valuable benefits, trademark registration is not a government subsidy.

While PTO operations are fully underwritten by registration fees, some federal funds are nonetheless spent on the registration and enforcement of trademarks. For example, PTO employee benefits, including pensions, health insurance, and life insurance, are administered by the Office of Personnel Management and funded from the general treasury. *Figueroa*, 466 F.3d at 1028. And registering a trademark may lead to additional government spending, such as when the trademark owner seeks to enforce the trademark through the federal courts and U.S. Customs and Border Patrol. This spending, however, is attenuated from the benefits bestowed by registration. Trademark registration does not implicate the Spending Clause merely because of this attenuated spending, else every benefit or regulatory program provided by the government would implicate the Spending Clause. The Copyright Office is only partially funded by user fees, but copyright registration is nonetheless not a subsidy. *Copyright Office Fees: Registration, Recordation and Related Services; Special Services; Licensing Division Services; FOIA Services*, 79 Fed. Reg. 15910-01 (Mar. 24, 2014) (setting fees to recover “a significant part of the costs to the Office of registering copyright claims”). It would be unreasonable to argue that the government

subsidizes an author when it grants him a copyright. Similarly, the programs in *Bullfrog* and *Texas Lottery Commission* were likely funded in some part by the government—perhaps also by government benefits paid to employees administering the programs—but the Ninth Circuit and the Fifth Circuit considered only whether the conditioned benefits were paid for by government spending, and not whether the programs were subsidized in more indirect ways. And while the government argued in *Autor* that the government had appropriated public funds to establish the international trade advisory committees, 740 F.3d at 182, the D.C. Circuit nonetheless found that membership on these advisory committees was not a financial benefit, *id.* at 183.

The fact that the Lanham Act derives from the Commerce Clause, not the Spending Clause, is further evidence that trademark registration is not a subsidy. The purpose of the Lanham Act is to regulate marks used in interstate commerce, prevent customer confusion, and protect the goodwill of markholders, 15 U.S.C. § 1127, not to subsidize markholders. Moreover, the government funding cases have thus far been limited to situations where the government has chosen to limit funding to individuals that are advancing the goals underlying the program the government seeks to fund. *See generally Agency for Int’l Dev.*, 133 S. Ct. at 2324–25; *Rust*, 500 U.S. at 191; *cf. American Library Ass’n*, 539 U.S. at 211 (it is not unconstitutional for the government to insist that “public funds be spent for the purposes for which they were authorized”). The restriction on the registration of disparaging marks bears no relation to the objectives, goals, or purpose of the federal trademark registration program. Preventing disparaging marks does not protect trademark owners’ investments; in fact, because § 2(a) can be brought in cancellation proceedings decades after a mark is granted, this provision actually undermines this important purpose of the Lanham Act. And the dispar-

agement proscription has never been alleged to prevent consumer confusion or deception. The government's viewpoint- and content-based discrimination in this case is completely untethered to the purposes of the federal trademark registration program. It would be a radical extension of existing precedent to permit the government to rely upon its power to subsidize to justify its viewpoint discrimination, when that discrimination has nothing to do with the goals of the program in which it is occurring.

Were we to accept the government's argument that trademark registration is a government subsidy and that therefore the government is free to restrict speech within the confines of the trademark program, it would expand the "subsidy" exception to swallow nearly all government regulation. In many ways, trademark registration resembles copyright registration. Under the logic of the government's approach, it follows that the government could refuse to register copyrights without the oversight of the First Amendment. Congress could pass a law prohibiting the copyrighting of works containing "racial slurs," "religious insults," "ethnic caricatures," and "misogynistic images." Appellee's *En Banc Br.* 2–3. It is difficult to imagine how trademark registration with its attendant benefits could be deemed a government subsidy but copyright registration with its attendant benefits would not amount to a government subsidy. And if both must be treated as government subsidies by virtue of their conferment of benefits or advantages, though not public money, then the government has the right to make content- or viewpoint-based determinations over which works to grant registration. This idea—that the government can control speech by denying the benefits of copyright registration to disfavored speech—is anathema to the First Amendment. With this, the government agrees, arguing that copyright registration, unlike trademark registration, is protected by the First Amendment. *Oral Arg.* at 36:45–38:50. But the government has advanced no prin-

ciplered reason to treat trademark registration differently than copyright registration for present purposes. The government admits that any message-based regulation of copyrights would be subject to the First Amendment. We agree, and extend the government's reasoning to § 2(a)'s message-based regulation of trademarks. These registration programs are prototypical examples of regulatory regimes. The government may not place unconstitutional conditions on trademark registration. We reject the government's argument that it is free to restrict constitutional rights within the confines of its trademark registration program.

III. Section 2(a) Is Unconstitutional Even Under the *Central Hudson* Test for Commercial Speech

As discussed above, § 2(a) regulates expressive speech, not commercial speech, and therefore strict scrutiny is appropriate. Trademarks have at times been referred to as commercial speech. *See, e.g., Friedman v. Rogers*, 440 U.S. 1, 11 (1979) (holding that the trade name of an optometrist was commercial speech). They are, after all, commercial identifiers, the symbols and words by which companies distinguish and identify their brands. *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 765 (1976) (defining commercial speech as the "dissemination of information as to who is producing and selling what product, for what reason, and at what price"). It does not follow, however, that all government regulation of trademarks is properly reviewed under the *Central Hudson* intermediate scrutiny standard. Section 2(a) bars registration of disparaging marks. This regulation is squarely based on the expressive aspect of the speech, not its commercial-speech aspects. It should therefore be evaluated under the First Amendment standards applicable to the regulation of expressive speech. Discrimination against a mark by virtue of its offensive, disparaging nature discriminates against the mark's political or social message. Sec-

tion 2(a) should be subject to strict scrutiny, and be invalidated for its undisputed inability to survive such scrutiny.

Even if we were to treat § 2(a) as a regulation of commercial speech, it would fail to survive. In *Central Hudson*, the Supreme Court laid out the intermediate-scrutiny framework for determining the constitutionality of restrictions on commercial speech. 447 U.S. at 566. First, commercial speech “must concern lawful activity and not be misleading.” *Id.* If this is the case, we ask whether “the asserted governmental interest is substantial,” *id.*, and whether the regulation “directly and materially advanc[es]” the government’s asserted interest and is narrowly tailored to achieve that objective. *Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 555–56 (2001). “Under a commercial speech inquiry, it is the State’s burden to justify its content-based law as consistent with the First Amendment.” *Sorrell*, 131 S. Ct. at 2667.

First, we ask whether the regulated activity is lawful and not misleading. *Cent. Hudson*, 447 U.S. at 563–64. Unlike many other provisions of § 2, the disparagement provision does not address misleading, deceptive, or unlawful marks. There is nothing illegal or misleading about a disparaging trademark like Mr. Tam’s mark.

Next, for speech that is lawful and not misleading, a substantial government interest must justify the regulation. *Id.* at 566. But § 2(a) immediately fails at this step. The entire interest of the government in § 2(a) depends on disapproval of the message. That is an insufficient interest to pass the test of intermediate scrutiny, as the Supreme Court made clear in *Sorrell*. 131 S. Ct. at 2668 (law must not “seek to suppress a disfavored message”); *id.* at 2670 (rejecting message-based interest as “contrary to basic First Amendment principles”); *see id.* at 2667–68 (finding it unnecessary to rely on strict scrutiny; rejecting justification under *Central Hudson*); *Bolger v. Youngs*

Drug Prods. Corp., 463 U.S. 60, 69–72 (1983); *Carey v. Population Servs., Int’l*, 431 U.S. 678, 701 & n.28 (1977).

The government proffers several interests to justify its bar on disparaging trademarks. It argues principally that the United States is “entitled to dissociate itself from speech it finds odious.” Appellee’s En Banc Br. 41. This core argument rests on intense disapproval of the disparaging marks. See, e.g., Appellee’s En Banc Br. 1 (“the most vile racial epithets and images”); *id.* at 2–3 (“racial slurs . . . or religious insults, ethnic caricatures, misogynistic images, or any other disparaging terms or logos”); *id.* at 14 (“racial epithets”); *id.* at 21 (“racial slurs and similar disparagements”); *id.* at 22 (“including the most vile racial epithets”); *id.* at 41 (“speech [the government] finds odious”); *id.* at 44 (“racial slurs”). And that disapproval is not a legitimate government interest where, as here, for the reasons we have already discussed, there is no plausible basis for treating the speech as government speech or as reasonably attributed to the government by the public.

The government also argues that it has a legitimate interest in “declining to expend its resources to facilitate the use of racial slurs as source identifiers in interstate commerce.” Appellee’s En Banc Br. 43. The government’s interest in directing its resources does not warrant regulation of these marks. As discussed, trademark registration is user-funded, not taxpayer-funded. The government expends few resources registering these marks. See *supra* at 53–55. Its costs are the same costs that would be incidental to any governmental registration: articles of incorporation, copyrights, patents, property deeds, etc. In fact, the government spends far more significant funds defending its refusal decisions under the statute. See *McGinley*, 660 F.2d at 487 (Rich, J., dissenting) (“More ‘public funds’ are being expended in the prosecution of this appeal than would ever result from the registration of the mark.”). Finally, labeling this sort of interest as substantial creates an end-run around the

unconstitutional conditions doctrine, as virtually all government benefits involve the resources of the federal government in a similar sense. Nearly every government act could be justified under this ground, no matter how minimal. For example, the government could also claim an interest in declining to spend resources to issue permits to racist, sexist, or homophobic protests. The government cannot target speech on this basis, even if it must expend resources to grant parade permits or close down streets to facilitate such speech.

This holds true even though the government claims to have a “compelling interest in fostering racial tolerance.” Appellee’s En Banc Br. 43 (citing *Bob Jones Univ. v. United States*, 461 U.S. 574, 604 (1983)). *Bob Jones University* does not stand for the broad proposition the government claims. *Bob Jones University* is a case about racially discriminatory conduct, not speech. The Court held that the government has an interest in combating “racial discrimination in education,” not a more general interest in fostering racial tolerance that would justify preventing disparaging speech. *Id.* at 595.

The invocation of the general racial-tolerance interest to support *speech* regulation is a sharply different matter, as the Supreme Court explained in *R.A.V.*:

One must wholeheartedly agree with the Minnesota Supreme Court that “[i]t is the responsibility, even the obligation, of diverse communities to confront [virulent notions of racial supremacy] in whatever form they appear,” but the manner of that confrontation cannot consist of selective limitations upon speech. St. Paul’s brief asserts that a general “fighting words” law would not meet the city’s needs because only a content-specific measure can communicate to minority groups that the “group hatred” aspect of such speech “is not condoned by the majority.” The point of the First

Amendment is that majority preferences must be expressed in some fashion other than silencing speech on the basis of its content.

505 U.S. at 392 (first alteration in original; citations omitted). What is true of direct “silencing” is also true of the denial of important legal rights. “[I]n public debate we must tolerate insulting, and even outrageous, speech in order to provide adequate breathing space to the freedoms protected by the First Amendment.” *Snyder*, 562 U.S. at 458 (quoting *Boos v. Barry*, 485 U.S. 312, 322 (1988)) (alterations omitted). The case law does not recognize a substantial interest in discriminatorily regulating private speech to try to reduce racial intolerance.

Moreover, at the level of generality at which the government invokes “racial tolerance,” it is hard to see how one could find that § 2(a) “directly and materially advanc[es]” this interest and is narrowly tailored to achieve that objective. *Lorillard Tobacco Co.*, 533 U.S. at 555–56. Disparaging speech abounds on the Internet and in books and songs bearing government registered copyrights. And the PTO has granted trademark registrations of many marks with a racially charged character. Further, the connection to a broad goal of racial tolerance would be even weaker to the extent that the government suggests, contrary to our conclusion in II.A *supra*, that denial of registration has no meaningful effect on the actual adoption and use of particular marks in the marketplace.

Finally, the government argues that it has a legitimate interest in “allowing States to make their own determinations about whether trademarks should be unenforceable on grounds of public policy.” Appellee’s En Banc Br. 44. However, this interest cannot stand alone. If § 2(a) is otherwise unconstitutional, the government cannot render it constitutional by arguing that it is necessary so that states can partake in the same unconstitutional message-based regulation of trademarks. The

government, in essence, argues that it has a legitimate interest in leaving the door open for states to violate the Constitution. This interest is certainly not legitimate, let alone substantial.

We conclude that the government has not presented us with a substantial government interest justifying the § 2(a) bar on disparaging marks. All of the government's proffered interests boil down to permitting the government to burden speech it finds offensive. This is not a legitimate interest. With no substantial government interests, the disparagement provision of § 2(a) cannot satisfy the *Central Hudson* test. We hold the disparagement provision of § 2(a) unconstitutional under the First Amendment.

CONCLUSION

Although we find the disparagement provision of § 2(a) unconstitutional, nothing we say should be viewed as an endorsement of the mark at issue. We recognize that invalidating this provision may lead to the wider registration of marks that offend vulnerable communities. Even Mr. Tam, who seeks to reappropriate the term "slants," may offend members of his community with his use of the mark. *See* Br. of Amici Curiae Nat'l Asian Pacific Am. Bar Ass'n 3, 5. But much the same can be (and has been) said of many decisions upholding First Amendment protection of speech that is hurtful or worse. Whatever our personal feelings about the mark at issue here, or other disparaging marks, the First Amendment forbids government regulators to deny registration because they find the speech likely to offend others. Even when speech "inflict[s] great pain," our Constitution protects it "to ensure that we do not stifle public debate." *Snyder*, 562 U.S. at 461. The First Amendment protects Mr. Tam's speech, and the speech of other trademark applicants.

We hold that the disparagement provision of § 2(a) is unconstitutional because it violates the First Amendment. We vacate the Board's holding that Mr. Tam's mark is unregistrable, and remand this case to the Board for further proceedings.

United States Court of Appeals for the Federal Circuit

IN RE SIMON SHIAO TAM

2014-1203

Appeal from the United States Patent and Trademark Office, Trademark Trial and Appeal Board in No. 85/472,044.

O'MALLEY, *Circuit Judge*, with whom WALLACH, *Circuit Judge*, joins, concurring.

I agree that the disparagement provision of 15 U.S.C. § 1052(a) (“§ 2(a)”) is unconstitutional on its face. I agree, moreover, that § 2(a) cannot survive the searching constitutional scrutiny to which the majority subjects it under the First Amendment to the United States Constitution. On this point, the majority rightly dispenses with this court’s precedent in *In re McGinley*, 660 F.2d 481 (CCPA 1981) and its progeny. I write separately, however, because, I believe § 2(a) is also unconstitutionally vague, rendering it unconstitutional under the Fifth Amendment to the United States Constitution.

While the majority acknowledges the vague and uncertain application of § 2(a), Maj. Op. 30–33, it finds that “[a]ll we need say about the uncertainty here, however, is that it contributes significantly to the chilling effect on speech,” *id.* at 32–33. I agree with the majority’s concern about the uncertain nature of § 2(a), but believe those

concerns should lead us to do more than note 2(a)'s undoubted chilling effect on speech. I find § 2(a)'s disparagement provision to be so vague that I would find it to be unconstitutional, whether or not it could survive Appellant's First Amendment challenge.

DISCUSSION

Section 2(a) provides that the Trademark Trial and Appeal Board ("Board") may refuse an application when the trademark "[c]onsists of or comprises . . . matter which *may disparage* . . . persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute." (emphasis added). As the majority correctly notes, the language of the statute creates "uncertainty as to what *might be deemed* disparaging." Maj. Op. 30–31. Both would-be applicants and the Board are left to guess at what may have the potential to disparage a broad range of persons, institutions, symbols, and even undefined "beliefs." And, they are left to guess at whether "may disparage" is the equivalent of bringing into contempt or disrepute, or is a distinct category of impropriety from these latter evils.

Where, as here, the language of a statute evades clarity, "[t]he area of proscribed conduct will be adequately defined and the deterrent effect of the statute contained within constitutional limits only by authoritative constructions sufficiently illuminating the contours of an otherwise vague prohibition." *Dombrowski v. Pfister*, 380 U.S. 479, 490–91 (1965). The Board has developed a two-step test to determine whether a mark is disparaging:

- (1) What is the likely meaning of the matter in question, taking into account not only dictionary definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services; and

(2) If that meaning is found to refer to identifiable persons, institutions, beliefs or national symbols, whether that meaning may be disparaging to a substantial composite of the referenced group.

Trademark Manual of Exam. Proc. (“TMEP”) § 1203.03(b)(i) (Oct. 2015 ed.) (citing, *inter alia*, *In re Geller*, 751 F.3d 1355, 1358 (Fed. Cir. 2014); *Harjo v. Pro-Football Inc.*, 50 U.S.P.Q.2d 1705, 1740–41 (T.T.A.B. 1999)). Thus, the Board has concluded that a mark may disparage within the meaning of § 2(a) when a majority of the Board believes it “dishonor[s] by comparison with what is inferior, slight[s], deprecate[s], degrade[s], or affect[s] or injure[s] by unjust comparison.” *Pro-Football, Inc. v. Harjo*, 284 F. Supp. 2d 96, 124 (D.D.C. 2003) (internal quotation marks omitted) (quoting *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1737 n.98 (T.T.A.B. 1999)).

The two-step test does little to alleviate § 2(a)’s uncertainty. Indeed, by adding the caveat that a mark can be rejected whenever a mark’s meaning may be disparaging to “a substantial composite” of an “identifiable” group, (TMEP § 1203.03(b)(i)), the TMEP compounds the confusion the statute engenders. Thus a mark need only *potentially* disparage a *subset* of *any group* as long as that group can be “identifi[ed].”

One need only examine the disparate ways in which § 2(a) has been applied to see the confusion. While it is true that a “fertile legal ‘imagination can conjure up hypothetical cases in which the meaning of [disputed] terms will be in nice question,” *Grayned v. City of Rockford*, 408 U.S. 104, 112 n.15 (1972) (alteration in original) (quoting *Am. Commc’ns Ass’n v. Douds*, 339 U.S. 382, 412 (1950)), the arbitrary application of § 2(a) is easily demonstrated. The majority discusses numerous examples of inconsistent registration decisions. Maj. Op. 31 n.7. These include examples where there is no conceiva-

ble difference between the applied-for marks, yet one is approved and the other rejected. *Compare* HAVE YOU HEARD SATAN IS A REPUBLICAN (Trademark Application Serial No. 85,077,647) (rejected because it disparaged the Republican Party), *with* THE DEVIL IS A DEMOCRAT, Registration No. 85,525,066 (accepted and later abandoned for other reasons). I agree with the majority that there appears to be “no rationale for the PTO’s seemingly arbitrary registration decisions, let alone one that would give applicants much guidance.” Maj. Op. 31 n.7.¹

For § 2(a) to survive a vagueness challenge, the Supreme Court requires it “give the person of ordinary

¹ Amici also were easily able to uncover examples of inconsistencies in the application of the § 2(a). *See* Br. for American Civil Liberties Union, the American Civil Liberties Union of Oregon, and the American Civil Liberties Union of the Nation’s Capital as Amici Curiae 22–24 (discussing “a long line of arbitrary and contradictory decisions” as evidenced by the “countless examples of such irregularities,” including, but not limited to, examples where the same mark is rejected in one instance and accepted in another, even for the same use—for example *compare* MADONNA, *In re Riverbank Canning Co.*, 95 F.2d 327 (CCPA 1938) (affirming rejection of mark for use on wines as scandalous), *with* MADONNA, Registration No. 3,545,635 (accepted for use on wine) (Dec. 16, 2008); and MESSIAS, *In re Sociedade Agricola E. Comerical Dos Vinhos Messias, S.A.R.L.*, 159 U.S.P.Q. 275 (T.T.A.B. 1968) (rejected for use on wine and brandy), *with* IL MESSIA, Registration No. 4,093,035 (accepted for use on wine) (Jan. 31, 2012)). These examples further highlight the subjective nature of the registration standard under § 2(a): it is an unstable standard that apparently depends on shifting sensibilities over time.

intelligence a reasonable opportunity to know what is prohibited, so that he may act accordingly.” *Grayned*, 408 U.S. at 108. Further, “if arbitrary and discriminatory enforcement is to be prevented, laws must provide explicit standards for those who apply them.” *Id.* Given the subjective and hypothetical language of the statute and its well-documented, inconsistent application by the Board, § 2(a) is void for vagueness under even a lax test for vagueness. But the standard we should apply to § 2(a) is not lax.

“The degree of vagueness that the Constitution tolerates . . . depends in part on the nature of the enactment.” *Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489, 498 (1982). “[P]erhaps the most important factor affecting the clarity that the Constitution demands of a law is whether it threatens to inhibit the exercise of constitutionally protected rights. If, for example, the law interferes with the right of free speech . . . , a more stringent vagueness test should apply.” *Id.* at 499. The First Amendment concerns articulated by the majority support application of a “more stringent vagueness test”—one that § 2(a) simply cannot pass.

a. First Amendment Concerns Require a Stringent Vagueness Test

As the majority points out, “[i]t is beyond dispute that § 2(a) discriminates on the basis of content.” Maj. Op. 18. “[T]he test for disparagement—whether a substantial composite of the referenced group would find the mark disparaging—makes clear that it is the nature of the message conveyed by the speech which is being regulated. If the mark is found disparaging by the referenced group, it is denied registration.” *Id.* at 19. Indeed, the problems with § 2(a) are more substantial than the majority even acknowledges—not only is a trademark’s registrability adjudged by the message it conveys, but the message

conveyed is adjudged by the potential sensibilities of a broad range of potential listeners.

Under First Amendment principles, “content-based regulation of speech . . . raises special First Amendment concerns because of its obvious chilling effect on free speech.” *Reno v. ACLU*, 521 U.S. 844, 872 (1997). Indeed, “[b]road prophylactic rules in the area of free expression are suspect. Precision of regulation must be the touchstone in an area so closely touching our most precious freedoms.” *Edenfield v. Fane*, 507 U.S. 761, 777 (1993) (internal quotation marks omitted) (quoting *NAACP v. Button*, 371 U.S. 415, 438 (1963)). The Supreme Court’s emphasis on precision for content-based regulations is premised on its understanding of

at least two connected but discrete due process concerns: first, that regulated parties should know what is required of them so they may act accordingly; second, precision and guidance are necessary so that those enforcing the law do not act in an arbitrary or discriminatory way. When speech is involved, rigorous adherence to those requirements is necessary to ensure that ambiguity does not chill protected speech.

FCC v. Fox Television Stations, Inc., 132 S. Ct. 2307, 2317 (2012) (citing *Grayned*, 408 U.S. at 108–109).

b. Section 2(a) is Void for Vagueness

Section 2(a)’s undeniable chilling effect on speech requires it to pass a “more stringent test” for vagueness in order to pass constitutional muster. *Hoffman*, 455 U.S. at 498. Recognizing that due process vagueness challenges are more difficult to sustain where civil regulation—as distinct from criminal penalty provisions—are at issue, I believe § 2(a)’s inherent ambiguity makes it difficult for would-be applicants to discern its boundaries and leads to

inconsistent and unreliable actions on the part of the government as it seeks to regulate on the basis of content.

First, the imprecise, content-based regulation of trademark registration affects the types of marks sought by would-be registrants. “Vague laws force potential speakers to “steer far wider of the unlawful zone” . . . than if the boundaries of the forbidden areas were clearly marked.” *Brown v. Entm’t Merchants Ass’n*, 131 S. Ct. 2729, 2743 (2011) (quoting *Baggett v. Bullitt*, 377 U.S. 360, 372 (1964)). The majority opinion rightly concludes that, given the Board’s inconsistency, “the public would have a hard time drawing much reliable guidance.” Maj. Op. 31. The “uncertainty of speech-affecting standards has long been recognized as a First Amendment problem,” and the uncertainty inherent in § 2(a) “contributes significantly to the chilling effect on speech.” Maj. Op. 32–33.²

Next, the absence of clear standards for the application of § 2(a) provides the government with virtually unlimited ability to pick and choose which marks to allow and which to deny. And neither § 2(a) itself nor the TMEP’s two-step test provides the PTO, the courts, or the

² Numerous amici have come to the same conclusion. *See, e.g.*, Br. for First Amendment Lawyers Ass’n as Amicus Curiae 14 (“The multitude of Section 2(a) cases show that Section 2(a) does not convey ‘sufficiently definite warning as to the proscribed conduct when measured by common understanding and practices,’ as required by the Constitution.” (quoting *Roth v. United States*, 354 U.S. 476, 491 (1957)); Br. for Pro-Football, Inc. as Amicus Curiae 33 n.13 (“Even if Section 2(a) sought to advance a legitimate state interest, its language is impermissibly vague to advance that interest. The statute provides no guidance as to which trademarks will be deemed disparaging, scandalous, or immoral.”).

public with any certainty as to what *may* disparage a given subset of any given population or group of believers. That is simply inadequate under the Fifth Amendment. See *Nat'l Endowment for the Arts v. Finley*, 524 U.S. 569, 588 (1998) (“Under the First and Fifth Amendments, speakers are protected from arbitrary and discriminatory enforcement of vague standards.”); *Grayned*, 408 U.S. at 108–09 (1972) (“[I]f arbitrary and discriminatory enforcement is to be prevented, laws must provide explicit standards for those who apply them. A vague law impermissibly delegates basic policy matters to policemen, judges, and juries for resolution on an ad hoc and subjective basis, with the attendant dangers of arbitrary and discriminatory application.”) (footnotes omitted). Cf. *Kolender v. Lawson*, 461 U.S. 352, 357–58 (1983) (noting in the context of a criminal penalty scheme that, although the vagueness doctrine “focuses both on actual notice to citizens and arbitrary enforcement, we have recognized recently that the more important aspect of vagueness doctrine ‘is not actual notice, but the other principal element of the doctrine—the requirement that a legislature establish minimal guidelines to govern law enforcement.’ Where the legislature fails to provide such minimal guidelines, a criminal statute may permit ‘a standardless sweep [that] allows policemen, prosecutors, and juries to pursue their personal predilections.’” (quoting *Smith v. Goguen*, 415 U.S. 566, 574, 575 (1974))).

Other circuits to have considered the use of the subjective terms connoting insult—like disparagement—have expressed similar concerns about the absence of objective standards governing their application.

In *Dambrot v. Central Michigan University*, 55 F.3d 1177 (6th Cir. 1995), for example, the Sixth Circuit considered the discriminatory harassment policy of Central Michigan University (“CMU”). That policy defined racial and ethnic harassment as:

any intentional, unintentional, physical, verbal, or nonverbal behavior that subjects an individual to an intimidating, hostile or offensive educational, employment or living environment by . . . (c) **de-meaning** or **slurring** individuals through . . . written literature because of their racial or ethnic affiliation; or (d) using symbols, [epithets] or slogans that infer **negative connotations** about the individual's **racial or ethnic affiliation**.

Id. at 1182 (emphases added). The court found the policy impermissibly vague because it required “one [to] make a subjective reference” and because “different people find different things offensive.” *Id.* at 1184. As such, the policy’s enforcement was too tied to subjective reference and, thus, both failed to “provide fair notice” and gave rise to an “unrestricted delegation of power” to university officials. *Id.* See also *Wynn Oil Co. v. Purolator Chem. Corp.*, 536 F.2d 84, 86 (5th Cir. 1976) (finding the subsection of an “injunction which restrains defendants from ‘slandering and disparaging the Wynn Oil Co. and its products’ [to be] impermissively vague”).

In *Ridley v. Massachusetts Bay Transportation Authority*, 390 F.3d 65 (1st Cir. 2004), the First Circuit upheld the validity of the Massachusetts Bay Transportation Authority’s (“MBTA”) “guideline prohibiting demeaning or disparaging material,” *id.* at 93, because, in that case, “there [was] no serious concern about either notice or chilling effects[] where there [were] no consequences for submitting a non-conforming advertisement and having it rejected” *id.* at 94. But that court specifically distinguished the guidelines at issue—“given the nature of the MBTA’s advertising program and its chief purpose of raising revenue without losing ridership,” *id.* at 94—from “the concern over subjective decision making[, which has the] most effect in government licensing schemes” *id.* at 95. While the trademark registration scheme is not a

traditional public forum making use of a licensing scheme to “maintain basic order,” it implicates the “[e]xcessive discretion and vagueness inquiries under the First Amendment” in much the same way. *Id.* at 94. As the majority notes, trademark registrants receive substantial benefits from the fact of registration, Maj. Op. 5–6; denial of those benefits based on the subjective views of governmental employees about the potential subjective views of those who might be exposed to the proposed mark is an essentially standardless measure.

In *McGinley*, we found § 2(a)’s ban on scandalous subject matter, “sufficiently precise to enable the PTO and the courts to apply the law fairly and to notify a would-be registrant that the mark he adopts will not be granted a federal registration.” 660 F.2d at 484. While I agree that the PTO is capable of “notify[ing] a would-be registrant” of its decision to deny registration under § 2(a), the law is by no means precise enough to “enable the PTO and the courts to apply [it] fairly.” *Id.* As the majority points out, the Board has allowed use of a term by one trademark holder while disallowing use of precisely the same term by another based apparently on its view of how use of that term might be received by the audience the Board has chosen to “identify.” Maj. Op. 21–23. This fact alone evidences the absence of explicit standards for the application of § 2(a).

As it turns out, the PTO’s Assistant Commissioner was correct in 1939 in expressing concern that “the word ‘disparage’ . . . is going to cause a great deal of difficulty in the Patent Office, because . . . it is always going to be just a matter of the personal opinion of the individual parties as to whether they think it is disparaging.” *Hearing on H.R. 4744 Before the Subcomm. on Trademarks of the H. Comm. on Patents, 76th Cong. 21 (1939)* (statement of Leslie Frazer). The Board has likewise commented on the vague and subjective nature of § 2(a). *See, e.g., In re In Over Our Heads*, 1990 WL 354546, at *1 (T.T.A.B. 1990)

(“[T]he guidelines for determining whether a mark is scandalous or disparaging are somewhat vague and the determination of whether a mark is scandalous or disparaging is necessarily a highly subjective one.”) (bracketing and quotation marks omitted); *Harjo v. Pro-Football, Inc.*, 1999 WL 375907, at *35 (T.T.A.B. 1999) (noting that whether a mark is disparaging “is highly subjective and, thus, general rules are difficult to postulate”).

“It is a basic principle of due process that an enactment is void for vagueness if its prohibitions are not clearly defined.” *Grayned*, 408 U.S. at 108. The need for clarity is especially relevant when a law implicates First Amendment rights, as § 2(a) indisputably does. Section 2(a) does not provide a “person of ordinary intelligence a reasonable opportunity to know what is prohibited, so that he may act accordingly.” *Id.* And inconsistent, indeed seemingly rudderless, application of § 2(a) demonstrates the “arbitrary and discriminatory enforcement” that occurs when regulations do not “provide explicit standards for those who apply them.” *Id.*

While I agree with the majority’s thoughtful First Amendment analysis, I do not believe it is the only predicate to the conclusion that § 2(a) is unconstitutional.

CONCLUSION

For the above reasons, I concur in the majority’s conclusions and separately concur in the result.

United States Court of Appeals for the Federal Circuit

IN RE SIMON SHIAO TAM

2014-1203

Appeal from the United States Patent and Trademark Office, Trademark Trial and Appeal Board in No. 85/472,044.

DYK, *Circuit Judge*, concurring in part and dissenting in part, with whom *Circuit Judges* LOURIE and REYNA join with respect to parts I, II, III, and IV.

The majority is correct that the bar on registration of disparaging marks is unconstitutional as applied to Mr. Tam. But in my view the majority errs in going beyond the facts of this case and holding the statute facially unconstitutional as applied to purely commercial speech.

It is noteworthy that the majority seeks to justify its sweeping holding by describing § 2(a) as being something it is not. The provision bars the registration of marks that “disparage . . . or bring into contempt, or disrepute.” 15 U.S.C. § 1052(a) (otherwise identified as § 2(a)). The majority repeatedly asserts that “[t]he government enacted § 2(a), and defends it today, because it is hostile to the

messages conveyed by the refused marks.”¹ Maj. Op. at 23. In my view, there is nothing in the statute itself or the legislative history that supports this interpretation. On its face, and as interpreted by the Trademark Trial and Appeal Board (“the Board”), the statute is designed to preclude the use of government resources not when the *government* disagrees with a trademark’s message, but rather when its meaning “may be disparaging to a *substantial composite of the referenced group*.” *In re Lebanese Arak Corp.*, 94 U.S.P.Q.2d 1215, 1217 (T.T.A.B. 2010) (emphasis added). The PTO uses an objective test in making this determination, looking to dictionaries, the relationship of the matter to the other elements of the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services. *See id.*²

¹ The majority frequently characterizes the statute as “discriminat[ing] on the basis of message conveyed” and hence “viewpoint.” Maj. Op. at 19. “It does so as a matter of avowed and undeniable purpose, and it does so on its face.” *Id.* “Denial of these benefits creates a serious disincentive to adopt a mark which the government may deem offensive or disparaging.” *Id.* at 29. “The entire interest of the government in § 2(a) depends on disapproval of the message.” *Id.* at 57. “All of the government’s proffered interests boil down to permitting the government to burden speech it finds offensive.” *Id.* at 61.

² To be sure, the Board may have rendered inconsistent results in some cases, but this has no bearing on the facial validity of § 2(a). *See, e.g., Nat’l Endowment for the Arts v. Finley*, 524 U.S. 569, 587 (1998); *Red Lion Broad. Co. v. F.C.C.*, 395 U.S. 367, 396 (1969). In any event, when the government is not acting in its sovereign,

Thus the purpose of the statute is to protect underrepresented groups in our society from being bombarded with demeaning messages in commercial advertising. The question is whether the statute so designed can survive First Amendment scrutiny. My answer is that the statute is constitutional as applied to purely commercial trademarks, but not as to core political speech, of which Mr. Tam's mark is one example. Ultimately, unlike the majority, I do not think that the government must support, or society tolerate, disparaging trademarks in the name of commercial speech. The majority's opinion not only invalidates the bar on disparaging marks in § 2(a) but may also effectively invalidate the bar on scandalous marks and the analogous provisions of the Model State Trademark Act. *See* 1964 Model State Trademark Act, § 2(b). The government need not support the inevitable consequence of this decision—"the wider registration of marks that offend vulnerable communities." Maj. Op. at 61.

I

As the majority notes, the Supreme Court has long recognized the protection of offensive speech that constitutes core political expression. "The right to free speech . . . may not be curtailed simply because the speaker's message may be offensive to his audience." *Hill v. Colorado*, 530 U.S. 703, 716 (2000). Underpinning the First Amendment's protection of core speech that is disparaging is the fundamental constitutional value of preserving an "uninhibited marketplace of ideas in which truth will ultimately prevail," a marketplace that provides "suitable access to social, political, esthetic, moral, and other ideas and experiences." *Red Lion*, 395 U.S. at 390. Integral to

regulatory capacity, "the consequences of imprecision are not constitutionally severe." *Finley*, 524 U.S. at 589.

an “uninhibited marketplace of ideas” is the ability to incite debate. “[A] principal function of free speech under our system of government is to invite dispute. It may indeed best serve its high purpose when it induces a condition of unrest, creates dissatisfaction with conditions as they are, or even stirs people to anger.” *Texas v. Johnson*, 491 U.S. 397, 408–09 (1989). Thus to maintain a “meaningful dialogue of ideas,” “we must tolerate insulting, and even outrageous, speech in order to provide adequate breathing space to the freedoms protected by the First Amendment.” *Snyder v. Phelps*, 562 U.S. 443, 452, 458 (2011) (internal quotation marks, citations, and alterations omitted).³ At bottom, as Justice Holmes described, in the core speech area the First Amendment enshrines the “principle of free thought—not free thought for those who agree with us but freedom for the thought that we hate.” *U.S. v. Schwimmer*, 279 U.S. 644, 654–55 (1929) (Holmes, J., dissenting).

But this principle simply does not apply in the commercial context. For example, it is well established that racially or sexually disparaging speech in the workplace, when severe, may constitute a violation of Title VII, either as harassment or the creation of a hostile work environment. *See, e.g., Faragher v. City of Boca Raton*, 524 U.S. 775, 787–88 (1998); *Rogers v. Western-Southern Life Ins. Co.*, 12 F.3d 668, 675 (7th Cir. 1993). The same is necessarily true in the context of federal public accommodations law governing commercial establishments. No case of which I am aware suggests that imposing liability for disparaging speech in those commercial contexts, even

³ *See also, e.g., Cohen v. California*, 403 U.S. 15, 25 (1971); *Hess v. Indiana*, 414 U.S. 105, 107 (1973); *Denver Area Educ. Telecom. Consortium, Inc. v. F.C.C.*, 518 U.S. 727, 753–54 (1996).

when separated from conduct, violates the First Amendment.

So too in the area of commercial speech race or sex disparagement can claim no First Amendment protection. Unlike core political expression, the “extension of First Amendment protection to commercial speech is justified principally by the value to consumers of the information such speech provides.” *Zauderer v. Office of Disciplinary Counsel of Supreme Court of Ohio*, 471 U.S. 626, 651 (1985). Its constitutional protection derives not from any dialogic function in the marketplace of ideas, but rather from its “informational function” in the marketplace of goods and services, *Central Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 563 (1980), in other words, “who is producing and selling what product, for what reason, and at what price.” *Va. State Bd. Of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 765 (1976); *see also Sorrell v. IMS Health Inc.*, 131 S. Ct. 2653, 2673–74 (Breyer, J., dissenting). We protect the dissemination of this information to ensure that “private economic decisions” are “intelligent and well informed.” *Va. State Bd. Of Pharmacy*, 425 U.S. at 765.

Speech proposing a commercial transaction is “an area traditionally subject to government regulation.” *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 499 (1996) (citing and quoting *Ohralik v. Ohio State Bar Ass’n*, 436 U.S. 447, 456 (1978)). The Court has “been careful to distinguish commercial speech from speech at the First Amendment’s core,” *Florida Bar v. Went For It, Inc.*, 515 U.S. 618, 623 (1995), recognizing the “commonsense distinctions that exist between commercial and noncommercial speech.” *44 Liquormart*, 517 U.S. at 502 (quoting *Virginia Bd. of Pharmacy*, 425 U.S. at 771 n.24). The “greater objectivity” and “greater hardiness” of commercial speech and the different constitutional values underlying its protection “likely diminish[] the chilling

effect that may attend its regulation.” *44 Liquormart*, 517 U.S. at 499 (internal quotation marks and citations omitted). Accordingly, the Court has explained that “the State may regulate some types of commercial advertising more freely than other forms of protected speech,” *id.* at 498 (internal quotations marks and citations omitted), and “the State may at times prescribe what shall be orthodox in commercial advertising,” *Hurley v. Irish-American Gay, Lesbian & Bisexual Group of Boston*, 515 U.S. 557, 573 (1995) (internal quotation marks and citations omitted)—something it could never do with core political speech.

Recognizing the more limited protection of commercial speech, the Court has repeatedly upheld regulations “protect[ing] consumers from misleading, deceptive, or aggressive sales practices,” because such regulations are “consistent with the reasons for according constitutional protection to commercial speech” in the first place. *44 Liquormart*, 517 U.S. at 501; *see also, e.g., Florida Bar*, 515 U.S. 618 (1995); *Metromedia, Inc. v. City of San Diego*, 453 U.S. 490 (1981); *Bates v. State Bar of Ariz.*, 433 U.S. 350 (1977). “There can be no constitutional objection to the suppression of commercial messages that do not accurately inform the public about lawful activity.” *Central Hudson*, 447 U.S. at 563.

This stands in stark contrast to core political speech, for which “constitutional protection does not turn upon ‘the truth . . . of the ideas and beliefs which are offered.’” *N. Y. Times Co. v. Sullivan*, 376 U.S. 254, 271 (1964) (quoting *NAACP v. Button*, 371 U.S. 415, 445 (1963)). “The erroneous statement is inevitable in free debate, and [] it must be protected [absent a showing of actual malice] if the freedoms of expression are to have the breathing space that they need to survive.” *Id.* at 271–72 (internal quotation marks, citations, and alterations omitted). “Authoritative interpretations of the First Amendment

guarantees have consistently refused to recognize an exception for any test of truth.” *N. Y. Times*, 376 U.S. at 271. See also *Hustler Magazine, Inc. v. Falwell*, 485 U.S. 46, 52 (1988).

To be sure, the Court has held that commercial advertising cannot be restricted just because the product or service may be offensive to some members of the audience. See *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 71 (1983); *Carey v. Population Servs. Int’l*, 431 U.S. 678, 701 (1977). But, at the same time, the Court has explained that the manner of advertising itself may be restricted to protect the audience’s privacy interests. See *Florida Bar v. Went For It, Inc.*, 515 U.S. 618, 630 (1995). “[T]he existence of [First Amendment] protection does not deprive the State of all power to regulate such advertising in order to minimize its offensiveness.” *Bolger*, 463 U.S. at 84 (1983) (Stevens, J., concurring) (citing and quoting from *Carey*, 431 U.S. at 716 (Stevens, J., concurring)).

For example, in *Florida Bar* the Court upheld a ban on lawyer advertising targeted to recent accident victims and their families. 515 U.S. at 634–35. There the Court distinguished *Bolger*, which rejected a total ban on advertising related to contraceptives, because the government’s interest in *Bolger* had been only to shield citizens from generally “offensive” and “intrusive” products. See *id.* at 630–31. That interest, the Court explained, was entirely different from the interest in “protecting the personal privacy and tranquility of [Florida’s] citizens from crass commercial intrusion by attorneys upon their personal grief in times of trauma.” *Id.* at 630 (alterations omitted). The Court thus had “little trouble crediting the Bar’s” “privacy-based” interest as “substantial,” and held that it was sufficient to justify the advertising ban. *Id.* at 625, 629, 635.

Disparagement as defined by the Board “is essentially a violation of one’s right of privacy—the right to be let alone from contempt or ridicule.” TMEP § 1203.03(b). While in the trademark context the dissemination of the disparaging material is not limited to the disparaged group, the disparaged group is nonetheless targeted in the sense that it is singled out for ridicule. Furthermore, the fact that the dissemination of the disparaging advertising is not limited to the disparaged group makes the government’s interest here all the greater—the effect on the disparaged group is amplified, not lessened, by disseminating the disparaging material to the public at large.

This well-recognized disparity in the types of restrictions that are permissible as applied to commercial as opposed to political speech derives from the very different constitutional values underlying their protection in the first place. The Court has recognized that the government has greater authority to “distinguish between the relative value of different categories of commercial speech” than of noncommercial speech. *Metromedia*, 453 U.S. at 514. Specifically, the government has a distinct and substantial interest in “proscribing intrusive and unpleasant formats” for commercial expression. *Members of City Council of L.A. v. Taxpayers for Vincent*, 466 U.S. 789, 806 (1984); see also *Lehman v. City of Shaker Heights*, 418 U.S. 298, 304 (1974); *Metromedia*, 453 U.S. at 514. Indeed, “it may not be the content of the speech, as much as the deliberate ‘verbal or visual assault,’ that justifies proscription.” *Hill*, 530 U.S. at 716 (quoting *Erznoznik v. Jacksonville*, 422 U.S. 205, 210–11, n.6 (1975)).

Unlike core political speech, where offensiveness or disparagement has recognized value in its tendency to provoke debate, disparagement in commercial advertising furthers no First Amendment value. Indeed, neither counsel at oral argument nor the majority in its opinion

has identified any First Amendment value served by disparaging speech in the commercial context. Thus even blanket bans on commercial speech may be the kind of consumer protective regulations that are consistent with the “informational function” of commercial advertising. See *Central Hudson*, 447 U.S. at 563.

The majority, apparently recognizing that purely commercial speech is entitled to lesser protection, urges that all disparaging trademarks deserve heightened First Amendment protection because they have an expressive component. See Maj. Op. at 23–24. While I agree that some marks, including Mr. Tam’s, have an expressive component, it would seem beyond debate that many do not, as is the case with respect to routine product identifiers. Indeed, the Supreme Court confirmed the lack of an expressive component in most trade names in *Friedman v. Rogers*, where it explicitly distinguished between advertisements that “editorialize on any subject, cultural, philosophical, or political,” which might be entitled to greater First Amendment protection, and the “mere solicitation of patronage implicit in a trade name,” which “is a form of commercial speech and nothing more.” 440 U.S. 1, 11, n.10 (1979). The Court again recognized this distinction in *S.F. Arts & Athletics Inc. v. U.S. Olympic Comm’n*, 483 U.S. 522, 535 (1987). “To the extent that [the statute] applies to uses for the purpose of trade [or] to induce the sale of any goods or services, its application is to commercial speech.” *Id.* (alterations omitted).

In short, many trademarks lack the kind of “expressive character” that would merit First Amendment protection for offensive content, and a regulation of the use of those marks could satisfy the *Central Hudson* test for commercial speech—a substantial government interest reflected in a narrowly tailored regulation. The majority’s contrary conclusion seems to me to be unsupported.

II

Even if disparaging commercial speech were protected from government ban or regulation, this case does not turn on the legitimacy of a regulation or a “blanket ban” on disparaging commercial speech. The refusal to register disparaging marks is not a regulation or “blanket ban” on anything. Rather, it involves the denial of a subsidy, and because it is a subsidy, it may be content based. It is “well established that the government can make content-based distinctions when it subsidizes speech.” *Davenport v. Wash. Educ. Ass’n*, 551 U.S. 177, 188–89 (2007). The First Amendment “does not confer an affirmative right to use government [] mechanisms for the purpose of” expression, nor is the government “required to assist others in funding the expression of particular ideas, including political ones.” *Ysursa v. Pocatello Educ. Ass’n*, 555 U.S. 353, 355, 358 (2009) (internal quotations and citations omitted). Significantly, every single Supreme Court decision upholding the protection of commercial speech has involved a prohibition or restriction of speech—not a subsidy.⁴

⁴ See, e.g., *Linmark Assocs., Inc. v. Twp. of Willingboro*, 431 U.S. 85, 97 (1977) (striking down a ban on placing “For Sale” and “Sold” signs on residential property); *Carey*, 431 U.S. at 701–02 (invalidating a ban on all advertising and display of contraceptives); *Bolger*, 463 U.S. at 71 (invalidating a ban on unsolicited mailing of contraceptive advertisements); *Va. State Bd. of Pharmacy*, 425 U.S. at 773 (invalidating a ban on advertising prescription drug prices); *Sorrell v. IMS Health Inc.*, 131 S. Ct. 2653, 2659 (2011) (invalidating a state law that prohibited the sale, disclosure, and use of pharmacy records without the prescriber’s consent and subject to limited exceptions).

That trademark registration is a subsidy is not open to doubt. Contrary to the majority's characterization, federal trademark registration is not a "regulatory regime." Maj. Op. at 52. Section 2(a) does not regulate any speech, much less impose a blanket ban. It merely deprives a benefit. The majority claims that federal trademark registration is not a subsidy because "the subsidy cases have all involved government funding or government property." Maj. Op. at 49. But this assertion is belied by the Court's recent decisions in *Davenport* and *Ysursa*—neither involving government funding or property. Each made clear that the government can make content-based distinctions when it provides a benefit.

In *Davenport*, the Court considered a government benefit that gave unions "the power, in essence, to tax government employees," by having the state collect fees from its employees on behalf of the unions. *Davenport*, 551 U.S. at 184. The state limited this collection mechanism by refusing to collect nonmember fees for election-related purposes unless the nonmember affirmatively consented. *Id.* at 180. The unions argued that this restriction was an unconstitutional content-based discrimination. *Id.* at 188. The Court disagreed. The First Amendment's usual aversion to content-based speech regulation is inapposite when "the government is acting in a capacity other than as regulator," such as "when it subsidizes speech." *Id.* at 188. Because the collection of nonmember fees was a "state-bestowed entitlement," "a matter of grace [that] [it] can, of course, disallow . . . as it chooses," *Regan v. Taxation With Representation of Wash.*, 461 U.S. 540, 549 (1983) (internal quotations and citations omitted), the content-based condition on that benefit did not raise a "realistic possibility that official suppression of ideas is afoot." *Davenport*, 551 U.S. at 189–90 (citations and quotation marks omitted). The unions remained "as free as any other entity to participate in the

electoral process with all available funds other than the state-coerced agency fees.” *Id.* at 190. Thus the Court declined to apply heightened scrutiny and upheld the restriction in light of the state’s “narrow” and legitimate interest in “protect[ing] the integrity of the election process.” *See id.* at 189–90.

In *Ysursa*, the Court considered a similar benefit where the state collected dues on behalf of unions by providing payroll deductions. *Ysursa*, 555 U.S. at 355. The state restricted that collection mechanism by preventing unions from using payroll deductions for any political purposes. *Id.* Again the unions argued that this restriction was an impermissible content-based speech restriction, and again the Court disagreed. The First Amendment “protects the right to be free from government abridgement of speech,” not the right to be “assist[ed] [] in funding the expression of particular ideas.” *Id.* at 358. “While publicly administered payroll deductions for political purposes can enhance the unions’ exercise of First Amendment rights, Idaho is under no obligation to aid the unions in their political activities.” *Id.* at 359. Because collecting payroll deductions was a government benefit, the State’s decision not to extend that benefit was “not an abridgement of the unions’ speech.” *Id.* As in *Davenport*, the unions remained “free to engage in such speech as they see fit. They simply are barred from enlisting the State in support of that endeavor.” *Id.* Thus the Court again declined to apply heightened scrutiny and upheld the regulation in light of the “government’s interest” in “avoiding the reality or appearance of government favoritism.” *Id.*

The same is true here. Federal trademark registration, like the state-bestowed collection mechanisms for unions in *Davenport* and *Ysursa*, is a government-bestowed collection mechanism for enforcing trademarks. It opens the federal courts to enforce trademark rights by

providing, *inter alia*, original jurisdiction in federal courts for infringement claims, eligibility for treble damages for willful infringement, the ability to petition Customs to prevent the importation of infringing articles, and various enhanced protections for marks. See 15 U.S.C. §§ 1057(c), 1141, 1117, 1124. These benefits all “enlist” the government in support of the mark holder’s commercial identification, much like the collection of nonmember fees in *Davenport* and the payroll deductions in *Ysursa* enlisted the states in support of the unions’ political speech. See *Ysursa*, 555 U.S. at 359. Just as the states were not obligated to enable labor unions to collect nonmember fees or take payroll deductions in the first place, the federal government is not obligated to provide these benefits of a trademark enforcement mechanism. And just as the unions remained free to speak for election-related purposes using all other funds, trademark holders remain free to use their marks—however disparaging—as far as the federal government is concerned.⁵ That states may deny state-law protection to these marks cannot make the denial of the federal subsidy any less constitutional.

Finally, the majority argues that § 2(a) should be treated as a regulatory provision because the denial of registration benefits will have a chilling effect on the use of disparaging marks and cause mark holders to abandon such marks. See Maj. Op. at 32–33. But that is commonly the effect of the denial of subsidies, as the Supreme Court has recognized. See *Regan*, 461 U.S. at 550 (“Although TWR does not have as much money as it wants, and thus cannot exercise its freedom of speech as much as it would like,” the decision not to subsidize its speech does

⁵ That alternative federal enforcement under 15 U.S.C. § 1125(a) is potentially available to denied applicants only bolsters this point. See Maj. Op. at 37 n.11.

not violate the First Amendment). A chilling effect does not turn a subsidy provision into a regulatory provision, so long as the subsidy is not designed to limit speech outside of the subsidized program. That is not the case here.

“[T]he relevant distinction that has emerged from our cases is between conditions that define the limits of the government spending program—those that specify the activities Congress wants to subsidize—and conditions that seek to leverage funding to regulate speech outside the contours of the program itself.” *Agency for Int’l Dev. v. Alliance for Open Soc’y Int’l, Inc.*, 133 S. Ct. 2321, 2328 (2013) (“*AID*”). An example of such impermissible leverage was found in *FCC v. League of Women Voters*, where federal funds were denied to public broadcasters if they engaged in editorializing. 468 U.S. 364, 399–401 (1984). The restriction was invalidated because it affected editorializing engaged in without federal funds. *Id.* Section 2(a) is not designed to limit speech outside of the federal trademark program. Accordingly, it does not run afoul of the unconstitutional conditions doctrine.⁶ *See id.*

The majority’s contrary arguments are the very arguments rejected in the Supreme Court’s recent decision

⁶ *Bullfrog Films, Inc. v. Wick*, 847 F.2d 502, 503 (9th Cir. 1988), *Dep’t of Tex., Veterans of Foreign Wars v. Tex. Lottery Comm’n*, 760 F.3d 427, 430 (5th Cir. 2014) (en banc), and *Autor v. Pritzker*, 740 F.3d 176, 177 (D.C. Cir. 2014), relied on by the majority, Maj. Op. at 50–52, are all inapposite. In all three cases, the government was attempting to leverage speech outside of the “contours” of its defined program, thus running afoul of the unconstitutional conditions doctrine. Here, on the other hand, no expression beyond the trademark is suppressed, and therefore no unconstitutional condition obtains.

in *AID*. See 133 S. Ct. at 2328. *AID* explicitly disclaimed the majority’s assertion that the condition must be limited to “advancing the goals underlying the program the government seeks to fund.” Maj. Op. at 54. The question is not whether “the condition is [] relevant to the objectives of the program,” but rather whether the condition “seek[s] to leverage funding to regulate speech outside the contours of the program itself,” which the restriction here does not. *AID*, 133 S. Ct. at 2328. Similarly, in *Regan* the Court upheld a requirement that nonprofit organizations seeking tax-exempt status under 26 U.S.C. § 501(c)(3) not engage in lobbying. 461 U.S. at 544. The Court upheld that condition not because it was related in some way to the “goals” of 501(c)(3) tax exemption, but rather because “the condition did not prohibit that organization from lobbying Congress” with separate funds, *i.e.*, it did not leverage funds outside of the nonprofit structure. *Id.* at 2329. The majority’s arguments fail to show a colorable violation of the unconstitutional conditions doctrine here.

III

The majority urges, however, that subsidies require viewpoint neutrality, and argues that the subsidy provided by § 2(a) discriminates based on viewpoint because favorable racial and other marks are allowed while disparaging ones are not. See Maj. Op. at 21–23. Contrary to the majority, the Supreme Court has never held that this kind of subsidy must be viewpoint neutral. The question was raised, but not answered, in *Davenport* and *Ysursa*. See *Davenport*, 551 U.S. at 189 (“Even if it be thought necessary that the content limitation be reasonable and viewpoint neutral . . .”); *Ysursa*, 555 U.S. at 361, n.3. And the Court has upheld subsidies that were facially viewpoint discriminatory. See, *e.g.*, *Rust v. Sullivan*, 500 U.S. 173 (1991) (upholding a condition limiting Title X funding to clinics that do not advocate abortion as a method of family planning). The Court made an exception

in a subsidy case involving the unique context of legal services, where “the traditional role of the [subsidized] attorneys” is to “speak[] on the behalf of his or her private, indigent client” and viewpoint discrimination undermined the very purpose of the subsidy. *Legal Servs. Corp. v. Velazquez*, 531 U.S. 533, 542, 544 (2001). There is no tradition of unfettered advocacy in commercial advertising. Thus even if the regulation here could be deemed viewpoint discriminatory, it would not fail under the First Amendment. *See Davenport*, 551 U.S. at 189.

But § 2(a) is in any event viewpoint neutral. In *Boos v. Barry*, 485 U.S. 312 (1988), the Court addressed a nearly identical standard as applied to core political speech. The law there prohibited the display of any sign within 500 feet of a foreign embassy if the sign would tend to bring that foreign government into “public odium” or “disrepute.” *Id.* at 315. Justice O’Connor’s plurality opinion confirmed that the restriction is “content-based,” but it specifically found that “the provision is *not* viewpoint based.” *Id.* at 319 (emphasis added). “The display clause determines which viewpoint is acceptable in a *neutral fashion* by looking to the policies of foreign governments.” *Id.* (emphasis added). This “prevents the display clause from being directly viewpoint based, a label with potential First Amendment ramifications of its own.” *Id.* This aspect of the plurality opinion has since been cited with approval by a majority of the Court in *Turner Broadcasting System, Inc. v. FCC*, 512 U.S. 622, 645 (1994). The same reasoning applies here. Just as the restriction in *Boos* operated in a “neutral fashion” by looking only to foreign governments, the bar on registration of disparaging marks operates in a “neutral fashion” by looking only to the views of the referenced group. Accordingly, just as the restriction in *Boos* was viewpoint neutral, so too is § 2(a). In *Ridley v. Massachusetts Bay Transportation Authority*, 390 F.3d 65 (1st Cir. 2004), the

First Circuit arrived at the same conclusion, holding that a regulation “prohibit[ing] demeaning or disparaging ads” was viewpoint neutral because “the state is not attempting to give one group an advantage over another in the marketplace of ideas.” *Id.* at 90–91.

Finding § 2(a) to be viewpoint neutral is consistent with the Court’s treatment of viewpoint discrimination in other areas. The Court has defined viewpoint discrimination as the *government’s* disagreement with the underlying “ideology,” “opinion” or “perspective of the speaker.” *Rosenberger v. Rector & Visitors of Univ. of Va.*, 515 U.S. 819, 829 (1995). Here, as in *Boos*, the standard is not based on the *government’s* disagreement with anything. Rather, it is based on an objective, “neutral” assessment of a non-government perspective—in this case, a “substantial composite of the referenced group.” As in *Davenport* and *Ysursa*, there is no “realistic possibility that official suppression of ideas is afoot,” *Ysursa*, 555 U.S. at 190, and the content-based regulation here is not subject to heightened First Amendment scrutiny.

IV

Even in subsidy cases, however, the government needs some interest sufficient to justify its regulation defined in terms of “reasonableness.” *See Ysursa*, 555 U.S. at 359; *Regan*, 461 U.S. at 550. In my view, the protection of disparaged groups is sufficient. As demonstrated on college campuses across the nation, members of some groups, whether or not justified, are particularly sensitive to disparaging material.⁷ There is significant

⁷ *See, e.g.*, Chuck Culpepper, *How Missouri football’s boycott helped bridge a familiar campus divide*, Wash. Post (Nov. 13, 2015), <https://www.washingtonpost.com/sports/colleges/how->

social science evidence demonstrating the harmful psychological effects of holding a minority group up for ridicule on a national stage, particularly on children and young adults.⁸ In the case of core protected speech, as discussed above, the government has no legitimate interest in protecting disparaged groups. The groups must tolerate the disparagement in pursuit of the greater goal of a free marketplace of ideas. But, as discussed above, commercial speech is different. Disparagement as defined by the Board “is essentially a violation of one’s right of privacy—the right to be let alone from contempt or ridicule.” TMEP § 1203.03(c).

The government has an interest in “proscribing intrusive and unpleasant formats” for commercial expression. *Taxpayers for Vincent*, 466 U.S. at 806; *see also Lehman*, 418 U.S. at 304; *Metromedia*, 453 U.S. at 514. The Supreme Court’s “precedents [] leave no room for doubt that the protection of potential clients’ privacy is a substantial state interest.” *Florida Bar*, 515 U.S. at 625 (internal quotations marks omitted). We need not decide whether this interest is sufficiently compelling to justify a ban of disparaging commercial speech. It is more than sufficient to justify the government’s “decision not to assist” disparaging commercial expression. *Ysursa*, 555 U.S. at 360

missouri-footballs-boycott-helped-unite-a-troubled-campus/2015/11/13/64fe68ea-8a0f-11e5-be8b-1ae2e4f50f76_story.html.

⁸ *See, e.g., American Psychological Ass’n, APA Resolution Recommending the Immediate Retirement of American Indian Mascots, Symbols, Images, and Personalities by Schools, Colleges, Universities, Athletic Teams, and Organizations* (2011), available at <http://www.apa.org/about/policy/mascots.pdf> (citing many studies finding psychological harm of exposure to negative stereotypes).

n.2; *Taxpayers for Vincent*, 466 U.S. at 806. At the same time, there is no countervailing First Amendment interest. It is certainly difficult to imagine, for example, how the disparaging elements of an advertisement such as “CHLORINOL SODA BLEACHING—we are going to use Chlorinol and be like de white nigger,”⁹ or “The Plucky Little Jap Shredded Wheat Biscuit,”¹⁰ or “Dr. Scott’s Electric Hair Brush—will not save an Indian’s scalp from his enemies but it will preserve yours from dandruff,”¹¹ further any legitimate “informational function” associated with the relevant product.

V

Finally, contrary to the majority’s implication, it is quite feasible to distinguish between core and commercial speech. Congress has already determined that trademark law should distinguish between pure commercial speech and fully protected speech. Section 1125(c)(3) of title 15 excludes from liability for dilution parody, criticism, and any noncommercial use of a mark. And the noncommercial use of a mark, for parody, as an example, weighs against likelihood of confusion. *See, e.g., Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989); *Davis v. Walt Disney Co.*, 430 F.3d 901 (8th Cir. 2005); *see also Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g, Inc.*, 886 F.2d 490, 494-

⁹ Julian Casablancas, *15 Shockingly Racist Vintage Ads*, Business Pundit (Dec. 17, 2012), <http://www.businesspundit.com/15-shockingly-racist-vintage-ads/?img=42884>.

¹⁰ Dan Beard, 24 *Recreation* 1 (1905) available at <https://books.google.com/books?id=LPQXAAAAYAAJ&pg=PA474-IA18#v=onepage&g&f=false>.

¹¹ Brian D. Behnken & Gregory D. Smithers, *Racism in American Popular Media: From Aunt Jemima to the Frito Bandito* 39 (2015).

95 (2d Cir. 1989) (“the expressive elements of titles require[] more protection than the labeling of ordinary commercial products . . . so here the expressive element of parodies requires more protection than the labeling of ordinary products.”). Congress has made a similar judgment in the copyright context. *See* 17 U.S.C. § 107 (one of four fair use factors includes assessing whether the use is commercial). I see no reason why the Board would be unable to make such distinctions here.

VI

Turning from the application of § 2(a) to commercial speech to the facts of this case, I agree with the majority that the bar on registration of disparaging marks is unconstitutional as applied to Mr. Tam. Here there can be no doubt that Mr. Tam’s speech is both political and commercial. Unlike *Friedman*, where the trade name proponent did “not wish to editorialize on any subject, cultural, philosophical, or political,” 440 U.S. at 11, Mr. Tam’s choice of mark reflects a clear desire to editorialize on cultural and political subjects. Mr. Tam chose THE SLANTS at least in part to reclaim the negative racial stereotype it embodies: “We want to take on these stereotypes that people have about us, like the slanted eyes, and own them. We’re very proud of being Asian—we’re not going to hide that fact.” *In re Simon Shiao Tam*, 108 U.S.P.Q. 2d 1305 at *2 (T.T.A.B. 2013). *See* Maj. Op. at 12 (Mr. Tam “selected the mark in order to ‘own’ the stereotype it represents.”).

Given the indisputably expressive character of Mr. Tam’s trademark in this case, the government’s recognized interests in protecting citizens from targeted, demeaning advertising and proscribing intrusive formats of commercial expression—interests that are sufficient to justify the provision as applied to commercial speech—are insufficient to justify application of the provision to Mr.

Tam. As discussed, because of the fundamental values underlying the First Amendment's robust protection of offensive speech that are unique to core political expression, the government cannot justify restricting disparaging trademarks when those marks, like Mr. Tam's, actually consist of core expression. *See, e.g., Snyder*, 562 U.S. at 459–61. Accordingly, because no government interest can justify restricting Mr. Tam's core speech on the basis of its capacity to injure others, § 2(a) is invalid as applied. This also explains why the majority's concern regarding copyright is misplaced. *See, e.g., Maj. Op.* at 55–56. Copyrights, unlike trademarks, principally cover core protected expression. Thus, as for Mr. Tam, any government interest related to suppressing offensive speech would be insufficient to justify a comparable restriction as applied to copyright registration except for commercial advertising.

No case before the majority's opinion today has imposed an obligation on the government to subsidize offensive, commercial speech. As Judge Lourie points out, the bar on registration of disparaging marks is longstanding, and we have previously upheld it in a number of decisions. I see no basis for invalidating it now as applied to commercial speech. I would adhere to those decisions in this respect, and I respectfully dissent.

United States Court of Appeals for the Federal Circuit

IN RE SIMON SHIAO TAM

2014-1203

Appeal from the United States Patent and Trademark Office, Trademark Trial and Appeal Board in No. 85/472,044.

LOURIE, *Circuit Judge*, dissenting.

I join Parts I–IV of Judge Dyk’s concurrence-in-part, dissent-in-part, but I respectfully dissent with respect to the result reached by the majority holding the disparagement provision of § 2(a) unconstitutional as violating the First Amendment. For the following additional reasons, I would affirm the USPTO’s decision refusing to register Mr. Tam’s trademark.

First, one wonders why a statute that dates back nearly seventy years—one that has been continuously applied—is suddenly unconstitutional as violating the First Amendment. Is there no such thing as settled law, normally referred to as *stare decisis*? Since the inception of the federal trademark registration program in 1905, the federal government has declined to issue registrations of disparaging marks. The Trademark Act of 1905 provided specific authority to refuse to register immoral or scandalous marks, *see* Act of Feb. 20, 1905, ch. 592, 33 Stat. 724; the USPTO refused to register disparaging

marks on those grounds before the Lanham Act of 1946 was enacted, which explicitly incorporated a disparagement proscription, *see* Appellee's En Banc Br. 6. The USPTO's authority to refuse to issue trademark registrations with certain offensive content has thus existed in U.S. law for over one hundred years. As the majority notes, these are not prohibitions that have lain unused and latent for all of those years. The USPTO has been rejecting applications for trademark registrations on this basis throughout this period of time. By finding § 2(a) unconstitutional, we interfere with the long-standing Congressional policy of delegating authority to the USPTO to filter out certain undesirable marks from the federal trademark registration system. We should not further the degradation of civil discourse by overturning our precedent that holds that the First Amendment is not implicated by § 2(a)'s prohibition against disparaging trademarks.

In addition, the refusal of the USPTO to register a trademark is not a denial of an applicant's right of free speech. The markholder may still generally use the mark as it wishes; without federal registration, it simply lacks access to certain federal statutory enforcement mechanisms for excluding others from confusingly similar uses of the mark. Mr. Tam may use his trademark as he likes, whether it be encouraging discussion on or taking ownership of racial slurs, or identifying goods and services with his band. In fact, it seems quite likely that Mr. Tam will continue to use his band name to make a statement regardless of federal registration—the expressive purpose of his mark undoubtedly overshadows the commercial considerations. The argument, therefore, that a trademark applicant's right of free speech has been impaired by the failure of the USPTO to grant a federal registration is unconvincing.

Furthermore, it is not entirely clear that a trademark, even an expressive trademark, is protected commercial

speech. The lack of a federal registration does not alter the informational function of a trademark: disparaging marks may still be used to identify the source of goods or services. The government's decision to support certain choices and not others will invariably have some discouraging effect, but the government does not necessarily violate an individual's constitutional rights merely by refusing to grant registration and thereby provide additional assistance in the enforcement of trademark rights.

Moreover, trademark rights, as amicus International Trademark Association informs us, are not limited to those marks deemed registrable by the USPTO. "Section 43(a) of the Lanham Act is available to protect all designations of origin, even—indeed, especially—those that cannot be registered under Section 2(a)." Br. of amicus curiae Int'l Trademark Ass'n 4. The fear that markholders would be left with absolutely no recourse for trademark protection, once an application for federal registration is denied, appears unfounded. Rather, all that is at issue here is the government's decision not to facilitate enforcement with the additional mechanisms attendant to federal registration. The denial of federal trademark registration thus does not deprive the markholder of trademark protection because of the content of its mark; the markholder still has trademark rights under the Act in addition to its common law rights.

Finally, it has been questioned whether federal registration imparts the "imprimatur" of the federal government on a mark, such that registration could be permissibly restricted as government speech. I believe that such action is justified. The USPTO does in fact "publish" trademarks, in the Trademark Official Gazette. Despite being in electronic form, it is still a form of government speech that is partially controlled or affected by government action. The USPTO may also require that a disclaimer of unregistrable components be included for publication. Moreover, a federally registered mark is

usually “stamped” with some indication of government oversight, *viz.*, the use of the ® symbol or a phrase that the mark is registered in the USPTO, giving proof to the public that the government has in some sense approved the mark. Without that designation, the markholder cannot take advantage of some of the benefits of federal registration, *e.g.*, constructive notice for damages.

Similarly to specialty license plate designs, federally registered trademarks can be identified with two message contexts: one from the provider of goods or services, who has chosen to use a certain mark to link its product or services to itself, and one from the government, which has deemed the mark qualified for the federal registration program. The evaluation of disparagement is not based on the government’s moral judgment, despite any distaste expressed in its briefing for cancelled or applied-for marks; a mark is disqualified based only on evidence of its perception by the affected persons. The government action does not include a judgment on the worthiness or the effectiveness of the mark; if it did, it might—but not necessarily—venture into viewpoint-discrimination territory. And while a trademark alone, as a word placed on private property, is not government speech, once it claims that federally registered status, it becomes more than the private owner’s speech. It is not simply private speech as is the holding of a placard in a parade.

In my view, holding the disparagement provision of § 2(a) unconstitutional would be unsound, and the USPTO’s refusal to register Mr. Tam’s disparaging mark should therefore be affirmed.

Accordingly, I respectfully dissent.

United States Court of Appeals for the Federal Circuit

IN RE SIMON SHIAO TAM

2014-1203

Appeal from the United States Patent and Trademark Office, Trademark Trial and Appeal Board in No. 85/472,044.

REYNA, *Circuit Judge*, dissenting.

The Majority holds today that Mr. Tam's speech, which disparages those of Asian descent, is valuable political speech that the government may not regulate except to ban its use in commerce by everyone but Mr. Tam. I believe the refusal to register disparaging marks under § 2(a) of the Lanham Act is an appropriate regulation that directly advances the government's substantial interest in the orderly flow of commerce. Because I would uphold the constitutionality of § 2(a), I respectfully dissent.

Trademarks are commercial speech. And precisely because trademarks are commercial speech, the government's decision to grant or deny registration must be reviewed under an intermediate standard of scrutiny. Intermediate scrutiny is satisfied whenever the decision is narrowly tailored to directly advance a substantial government interest. When the commercial or political content of a trademark threatens the government's sub-

stantial interest in the orderly flow of commerce, appropriate regulation may be justified.

DISCUSSION

A. Intermediate Scrutiny Applies Because Trademarks Are Commercial Speech

The Supreme Court has held that trademarks are “a form of commercial speech and nothing more.” *Friedman v. Rogers*, 440 U.S. 1, 11 (1979); accord *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522, 563 (1987). The purpose of a trademark is merely to “propos[e] a commercial transaction” by identifying the source of goods or services. *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of New York*, 447 U.S. 557, 562 (1980).

Because “the Constitution accords less protection to commercial speech than to other constitutionally safeguarded forms of expression,” *Bolger v. Youngs Drug Products Corp.*, 463 U.S. 60, 64-65 (1983), the government may regulate the use of trademarks to ensure the orderly flow of commerce. For example, the government may disallow trade names that create “[t]he possibilities for deception,” even if the names are not untruthful. *Friedman*, 440 U.S. at 13. The government may similarly implement a trademark registration program, as it did through the Lanham Act, which provides certain speakers exclusive rights to their chosen marks in commerce. Such regulation is permissible under the First Amendment only because the speech being regulated is commercial and because the government has a substantial interest in facilitating commerce by “insuring that the stream of commercial information flows cleanly as well as freely.” *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 771-72 (1976).

The courts have long recognized that some trademarks can include expressive elements concerning mat-

ters of public interest, and that such trademarks nevertheless remain commercial speech. Historically, commercial speech received no First Amendment protection, see *Valentine v. Chrestensen*, 316 U.S. 52, 54 (1942), and the seminal cases bringing commercial speech within the First Amendment's purview did so, at least in part, because commercial speech often communicates on matters of public interest. *Virginia State Bd.*, 425 U.S. at 764-65. As the Supreme Court recognized in *Virginia State Board*, "not all commercial messages contain the same or even a very great public interest element," but "[t]here are few to which such an element, however, could not be added." *Id.*

The protections of commercial speech are therefore based, at least in part, on the recognition that commercial speech is not always entirely commercial, but that it may contain political messages that make the speech "commercial" in widely varying degrees." *Bigelow v. Virginia*, 421 U.S. 809, 826 (1975). For this reason, the Supreme Court has routinely held that various examples of speech "constitute commercial speech notwithstanding the fact that they contain discussions of important public issues." *Bolger*, 463 U.S. at 67; see also *Bd. of Trustees of State Univ. of New York v. Fox*, 492 U.S. 469 (1989). Put simply, commercial speech does not transform into core political speech with full First Amendment protections simply because it "links a product to a current public debate." *Cent. Hudson*, 447 U.S. at 563.

To determine whether speech is commercial, we consider "the nature of the speech taken as a whole." *Riley v. Nat'l Fed'n of the Blind*, 487 U.S. 781, 796 (1988). For example, in *Bolger*, the Supreme Court found that certain pamphlets were commercial speech, despite containing "discussions of important public issues," because (1) the speaker conceded that the pamphlets were advertisements, (2) the pamphlets referenced a specific product, and (3) the speaker had an economic motivation for mailing the pamphlets. *Bolger*, 463 U.S. at 66-68. The Court

concluded that “[t]he combination of *all* these characteristics” supported the conclusion that “the informational pamphlets are properly characterized as commercial speech.” *Id.*

All three factors from *Bolger* are necessarily also present in trademarks. Trademarks are used to identify specific products and to advertise the sources of those products. Trademarks, and in particular those federally registered for exclusive use in interstate commerce, are necessarily tools of commerce used with an “economic motive.”¹ A trademark is therefore commercial speech, and as such, it lacks full First Amendment protections, regardless of whether it also includes a political element.

The Majority reasons that because the commercial and political elements of trademarks are “inextricably intertwined,” the combined whole must be treated as expressive speech. Maj. Op. at *26 (*citing Riley*, 487 U.S. at 796). But as explained above, commercial speech is frequently intertwined with political elements, and this intertwining does not necessarily alter the essentially commercial character of the speech. *Riley*, on which the Majority relies, is not to the contrary. *Riley* only reiterates that “in deciding what level of scrutiny to apply” we must consider “the nature of the speech taken as a whole.” *Riley*, 487 U.S. at 796. The nature of trademarks seeking federal registration for use in interstate commerce, when considered as a whole, is indisputably commercial, not political.

¹ The registration of a trademark confers a competitive advantage in the marketplace to the owner of the mark. Typically, in trademark disputes, opposition to the registration or use of a certain mark involves the commercial activities of a competitor. In such cases, the interests of both the owner and competitor are fundamentally commercial in nature.

Judge Dyk concurs in the result today only because he believes the *content* of Mr. Tam’s mark is so “indisputably expressive” that it cannot be regulated under the lesser standards applied to commercial speech. Dyk, J., concurring at *20-21. But if the expressive *content* of the mark precludes regulation, on what authority may the government grant Mr. Tam the exclusive right to use this mark in commerce? Whatever standard of scrutiny protects the content of Mr. Tam’s trademark from government regulation, that same standard must necessarily be overcome by the government’s substantial interest in the orderly flow of commerce, or no trademark could issue.

B. Intermediate Scrutiny Applies Because Section 2(a) is Content-Neutral

The Majority applies strict scrutiny not necessarily because of the expressive content of Mr. Tam’s mark, but because of the government’s supposed *purpose* of suppressing the political elements of the mark. Maj. Op. at *23-26. The Majority thus invokes the modern test for content-neutrality, under which the “principal inquiry” is “whether the government has adopted a regulation of speech because of disagreement with the message it conveys.” *Ward v. Rock Against Racism*, 491 U.S. 781, 791 (1989). Under *Ward*, “[t]he government’s purpose is the controlling consideration.” *Id.* The Supreme Court has endorsed the applicability of this test to commercial speech. *Sorrell v. IMS Health Inc.*, 131 S. Ct. 2653, 2664 (2011).

If this appeal turns on a content-neutrality analysis, we should be clear that the government has never stated that the purpose of § 2(a) is to suppress speech. Only the Majority has advanced this rationale, and it has done so only by default after eliminating all other interests of which it could conceive. I do not think we need to search so hard and so far. The purpose of § 2(a) is the same as

the purpose of the Lanham Act as a whole—to promote the orderly flow of commerce.

The Lanham Act declares unequivocally that “[t]he intent of this chapter is to regulate commerce.” 15 U.S.C.A. § 1127. In analyzing content-neutrality, an apparently content-based law is nevertheless considered content-neutral if the government’s purpose is *not* to suppress speech, but to address the harmful secondary effects of that speech. See *City of Renton v. Playtime Theatres, Inc.*, 475 U.S. 41 (1986); *Young v. Am. Mini Theatres*, 427 U.S. 50 (1976). The Supreme Court has repeatedly applied this “Secondary Effects” doctrine to uphold not only time, place, and manner restrictions on particular types of speech, *id.* (upholding regulations on the locations of adult businesses), but also regulations on the content of expression itself, see, e.g., *City of Erie v. Pap’s A.M.*, 529 U.S. 277 (2000) (upholding ban on fully nude dancing); *Barnes v. Glen Theatre*, 501 U.S. 560 (1991) (same). For example, applying *Ward*, the Supreme Court upheld a city’s ban on fully nude dancing because the ban was only a minimal burden on speech and was narrowly tailored to advance the “substantial government interest in protecting order and morality.” *Barnes*, 501 U.S. at 569. In *City of Erie*, the Court upheld a nearly identical statute as content-neutral because it did “not attempt to regulate the primary effects of the expression” but rather, “the secondary effects, such as impacts on public health, safety, and welfare.” *City of Erie*, 529 U.S. at 291.

The Supreme Court has also permitted regulation of speech based on the speech’s effect on commerce. For instance, it was under *Ward* that the Supreme Court upheld the FCC’s must-carry provisions as content-neutral, despite the provisions’ mandate that cable providers transmit particular types of content. *Turner Broad. Sys., Inc. v. F.C.C.*, 512 U.S. 622, 647 (1994). The Court upheld the must-carry regulations because they furthered the substantial government interest in “protecting non-

cable households from loss of regular television broadcasting service.” *Id.* The Court has also upheld regulations on highly-protected private speech where the government sought to eliminate the secondary effects of that speech on the market for illegal goods. *See Osborne v. Ohio*, 495 U.S. 103 (1990). Thus, when a regulation’s purpose is to address the secondary effects of certain speech, intermediate scrutiny is appropriate, even if the regulation implicates content.

Section 2(a) serves the same substantial government interest as the Lanham Act as a whole—the orderly flow of commerce. Commercial speech that insults groups of people, particularly based on their race, gender, religion, or other demographic identity, tends to disrupt commercial activity and to undermine the stability of the marketplace in much the same manner as discriminatory conduct. The government’s refusal to promote such speech in commerce is not an effort to suppress free expression, but to mitigate the disruptive secondary effects that a particular type of low-value speech may have when used in a commercial context. Because the government’s purpose is to mitigate these secondary effects on commerce rather than to suppress speech, the regulation is content-neutral and intermediate scrutiny applies.

C. Section 2(a) Advances the Substantial Government Interest in the Orderly Flow of Commerce

The government’s interest in the orderly flow of commerce is substantial. If it were not, the government would be powerless to implement a trademark registry because doing so necessarily requires a ban on infringing commercial speech. The government has a substantial interest in regulating “deceptive or misleading” commercial speech, even if that speech is not wholly false, because of the government’s substantial interest in “insuring that the stream of commercial information flow

cleanly as well as freely.” *Virginia State Bd. of Pharmacy*, 425 U.S. at 771. The Supreme Court has never held, however, that deceptive and misleading speech is the *only* type of commercial speech subject to regulation for its disruptive effect. See *Cent. Hudson*, 447 U.S. at 566 (“For commercial speech to come within that provision, it *at least* must concern lawful activity and not be misleading.”) (emphasis added). Instead, any speech that substantially undermines the orderly flow of commerce may potentially be subject to at least some regulation.

The marketplace of ideas differs dramatically from the marketplace of goods and services. While the marketplace of ideas may tolerate or even benefit from the volatility that accompanies disparaging and insulting speech, the marketplace of goods and services is a wholly different animal. Commerce does not benefit from political volatility, nor from insults, discrimination, or bigotry. Commerce is a communal institution regulated for the mutual economic benefit of all. Commercial speech that discredits or brings reproach upon groups of Americans, particularly based on their race, has a discriminatory impact that undermines commercial activity and the stability of the marketplace in much the same manner as discriminatory conduct.

That discriminatory *conduct* disrupts commerce is long established. In upholding Title II of the Civil Rights Act, for example, the Supreme Court noted a record “replete with testimony of the burdens placed on interstate commerce by racial discrimination.” *Katzenbach v. McClung*, 379 U.S. 294, 299 (1964). The Court cited an “impressive array of testimony that discrimination in restaurants had a direct and highly restrictive effect upon interstate travel,” and that such discrimination therefore “obstructs interstate commerce.” *Id.* at 300. It cited “many references” to discrimination causing “a depressant effect on general business conditions in the respective communities” and it noted evidence that discrimination

“deterred professional, as well as skilled, people from moving into areas where such practices occurred and thereby caused industry to be reluctant to establish there.” *Id.* The Court thus found “ample basis for the conclusion that established restaurants in such areas sold less interstate goods because of the discrimination, that interstate travel was obstructed directly by it, that business in general suffered and that many new businesses refrained from establishing there as a result of it.” *Id.*

Although these findings were specific to public accommodations, they are applicable to commerce generally. Commercial goods and services pervade all economic channels, including all public accommodations, such as stores, restaurants, hotels, theaters, and the like. Discriminatory messages within such commercial channels threaten the same disruptive effects as the discrimination itself. Although the Majority distinguishes between conduct and speech, *Maj. Op.* at *59, the distinction is without a difference in this context. Whether a restaurant named “SPICS NOT WELCOME” would actually serve a Hispanic patron is hardly the point. The mere use of the demeaning mark in commerce communicates a discriminatory intent as harmful as the fruit produced by the discriminatory conduct.

Because even speech without accompanying conduct can have a discriminatory impact, other parts of the Civil Rights Act expressly regulate pure speech in commerce. For instance, Title VIII specifically bans advertising that indicates a discriminatory preference, even where discriminatory conduct is legal. *See* 42 U.S.C. § 3604(c); *see also* § 3603(b) (listing exemptions). Title VII places similar restrictions on job advertisements. *See* 42 U.S.C. § 2000e-3(b). Title VII also bans pure speech in the workplace when the speech is harassing, even when unaccompanied by any adverse employment action, because such speech creates a discriminatory impact. *See*

Harris v. Forklift Sys., Inc., 510 U.S. 17 (1993); *see also Burlington Indus., Inc. v. Ellerth*, 524 U.S. 742 (1998).

Nearly every disparaging mark identified in the voluminous briefing and opinions in this case has involved disparagement of race, gender, ethnicity, national origin, religion, sexual orientation, and similar demographic classification. The impact of advancing these bigoted messages through the ubiquitous channels of commerce may be discriminatory, and even if not discriminatory, at least *disruptive* to commerce. The only question is whether the government's interest in avoiding this commercial disruption outweighs the modest "burden" that its refusal to register the offending marks places on the freedom of speech. I believe it does.

D. Section 2(a) Survives Intermediate Scrutiny

To be clear, I do not believe that the government may ban any speech it finds commercially undesirable, but only that when we are presented with a regulation, we must engage meaningfully in "the task of assessing the First Amendment interest at stake and weighing it against the public interest allegedly served by the regulation." *Bigelow*, 421 U.S. at 826. Here, the government's substantial interest in the orderly flow of commerce is counterbalanced only by a minimal "burden" on a small subset of low-value commercial speech. Section 2(a) should survive intermediate scrutiny because it is only an "incidental restriction on First Amendment freedom [that] is no greater than is essential to the furtherance of the governmental interest" in the orderly flow of commerce. *See Barnes*, 501 U.S. at 561.

Section 2(a) imposes only a modest "burden" on speech. First, the statute applies only in the commercial context, meaning that it does nothing to impact private speech. Mr. Tam remains free to spread his chosen message to all who would listen without fear of government intervention or reprisal. Second, § 2(a) does not strictly

“burden” Mr. Tam’s speech, but only denies him a government-created benefit—the exclusive right to use that speech in commerce in connection with the sale of particular goods or services. At bottom, the only burden the application of § 2(a) imposes in this case is that Mr. Tam is free to communicate his chosen message within or without commerce, so long as he is willing to permit others to do the same.

Section 2(a) also implicates only a modest sliver of particularly low-value speech. Speech that disparages is a narrow subset of speech that offends, and it is a particularly low-value subset at that. *See Am. Freedom Def. Initiative v. Mass. Bay Transp. Auth.*, 989 F. Supp. 2d 182, 192 (D. Mass. 2013) *aff’d*, 781 F.3d 571 (1st Cir. 2015) (distinguishing speech that “crosses the line from being offensive or hurtful to being demeaning or disparaging”). To borrow a phrase from Justice Stevens, few of us would march our sons and daughters off to war to preserve the citizen’s right to be the exclusive purveyor of “OLD COON SMOKING TOBACCO.” *See Young*, 427 U.S. at 70; *McCann v. Anthony*, 21 Mo. App. 83, 91-92 (1886).

The Supreme Court has routinely considered the relative value of burdened speech in its First Amendment analysis. *See, e.g., Bethel Sch. Dist. No. 403 v. Fraser*, 478 U.S. 675, 683 (1986); *Young*, 427 U.S. at 70-71; *Tinker v. Des Moines Indep. Cmty. Sch. Dist.*, 393 U.S. 503, 510-11 (1969). For instance, the Court has held that a student’s interest in high-value political speech outweighed his school’s interest in avoiding a “substantial disruption,” *Tinker*, 393 U.S. at 510-11, but that a student’s interest in low-value “insulting” speech did not, *Fraser*, 478 U.S. at 683. When low-value materials are concerned, “the State may legitimately use the content of these materials as the basis for placing them in a different classification” of First Amendment protection. *Young*, 427 U.S. at 71.

At the extremes, disparaging speech enjoys no First Amendment protection. *Chaplinsky v New Hampshire*, 315 U.S. 568 (1942). “Insulting” words, which “by their very utterance inflict injury” are part of the “limited classes of speech, the prevention and punishment of which have never been thought to raise any Constitutional problem.” *Id.* at 571-72. To whatever extent “disparaging” speech differs from “insulting” speech, its value is not much greater.

Additionally, any minimal value disparaging speech might offer in the marketplace of ideas is far diminished in the marketplace of goods and services, which is the only context at issue in this appeal. One can hardly imagine what legitimate interest a vendor of goods or services may have in insulting potential customers. Whatever value disparaging speech might possess when used in private life, it loses when used in commerce.

When we balance the government’s substantial interest in the orderly flow of commerce against the modest imposition of § 2(a) on a narrowly tailored portion of particularly low-value speech, the standards of intermediate scrutiny are satisfied. Whatever modest imposition the statute makes on the free flow of public discourse, it is nothing more than an “incidental restriction on First Amendment freedom [that] is no greater than is essential to the furtherance of the governmental interest” in the orderly flow of commerce. *See Barnes*, 501 U.S. at 561. For the foregoing reasons, I believe that § 2(a) is constitutional. I respectfully dissent.

United States Court of Appeals for the Federal Circuit

MISCELLANEOUS DOCKET No. 914

IN RE NINTENDO CO., LTD and NINTENDO OF AMERICA INC.,

Petitioners.

Alex V. Chachkes, Orrick, Herrington & Sutcliffe LLP, of New York, New York, for petitioners Nintendo Co., LTD and Nintendo of America Inc. With him on the petition was Peter A. Bicks.

Christopher D. Banys, The Lanier Law Firm, P.C. of Palo Alto, California, for respondent Motiva, LLC.

On Petition for Writ of Mandamus to the United States District Court for the Eastern District of Texas

Judge Leonard Davis

United States Court of Appeals for the Federal Circuit

MISCELLANEOUS DOCKET NO. 914

IN RE NINTENDO CO., LTD. and NINTENDO OF AMERICA INC.,

Petitioners.

On Petition for Writ of Mandamus to the United States District Court for the Eastern District of Texas in Case No. 6:08-CV-429, Judge Leonard Davis.

DECIDED: December 17, 2009

Before RADER, CLEVINGER, and DYK, Circuit Judges.

RADER, Circuit Judge.

ORDER

Nintendo Co., Ltd. (“NOL”) and Nintendo of America Inc. (“NOA”) (collectively, “Nintendo”) petition for a writ of mandamus to direct the United States District Court for the Eastern District of Texas to vacate its June 30, 2009 order denying Nintendo’s motion to transfer venue and to direct the Texas district court to transfer the case to the United States District Court for the Western District of Washington. Motiva LLC v. Nintendo Co., No. 08-429, slip op. at 11 (E.D. Tex. June 30, 2009). Motiva, LLC (“Motiva”) opposes. Because the district court clearly abused its discretion in denying Nintendo’s motion to transfer venue under 28 U.S.C. § 1404(a) (1996), this court grants Nintendo’s petition for a writ of mandamus.

I.

On November 10, 2008, Motiva filed suit in the United States District Court for the Eastern District of Texas against Nintendo. Motiva alleged that the Nintendo Wii infringed Motiva's U.S. Patent No. 7,292,151 relating to a human movement measurement system. NCL is a corporation organized under the laws of Japan, with its headquarters in Kyoto. NOA is a corporation organized under the laws of the state of Washington, with its principal place of business in Redmond. Motiva is a limited liability company existing under the laws of Ohio, with its principal place of business in Dublin.

On January 26, 2009, Nintendo filed a motion under 28 U.S.C. § 1404(a) to transfer venue of the case to the Western District of Washington. Nintendo argued that the Western District of Washington was a far more convenient venue to try the case because the physical and documentary evidence was mainly located in the Western District of Washington and Japan. At the time that Nintendo requested transfer, four witnesses lived in Washington, three lived in Japan, and the two inventors lived in Ohio and New York. Nintendo further noted that none of the parties were incorporated in Texas or had offices in Texas, no witnesses resided in Texas, and no evidence was located in Texas. Thus, according to Nintendo, no meaningful connection linked the Eastern District of Texas to this case. Motiva opposed transfer arguing that the Eastern District of Texas was the proper venue even in the absence of any of the witnesses or evidence relevant to the cause of action.

On June 30, 2009, the district court denied Nintendo's motion to transfer. On July 15, 2009, Nintendo timely moved for reconsideration of the district court's order

denying the motion to transfer. The district court has not ruled on Nintendo's motion for reconsideration.

Nintendo filed this petition for a writ of mandamus contending that the district court ignored precedent and clearly abused its discretion by refusing its transfer motion.

II.

The writ of mandamus is available in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power. In re Calmar, Inc., 854 F.2d 461, 464 (Fed. Cir. 1988). A party seeking a writ bears the burden of proving that it has no other means of obtaining the relief desired, Mallard v. U.S. Dist. Court, 490 U.S. 296, 309 (1989), and that the right to issuance of the writ is "clear and indisputable," Allied Chem. Corp. v. Daiflon, Inc., 449 U.S. 33, 35 (1980). Because this petition does not involve substantive issues of patent law, this court applies the laws of the regional circuit in which the district court sits, in this case the United States Court of Appeals for the Fifth Circuit. See Storage Tech. Corp. v. Cisco Sys., Inc., 329 F.3d 823, 836 (Fed. Cir. 2003). The Fifth Circuit has approved the use of mandamus to correct a patently erroneous denial of transfer pursuant to 28 U.S.C. § 1404(a) in appropriate circumstances. See In re Volkswagen of Am., Inc., 545 F.3d 304 (5th Cir. 2008) (en banc) (issuing mandamus to transfer a case out of the Eastern District of Texas where no identified witnesses or evidence were located in the Eastern District of Texas).

Transfer of Venue Under 28 U.S.C. § 1404(a)

Change of venue is governed by 28 U.S.C. § 1404(a). Under section 1404(a), "[f]or the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to another district court or division where it might have

been brought.” 28 U.S.C. § 1404(a). A motion to transfer venue should be granted upon a showing that the transferee venue is “clearly more convenient” than the venue chosen by the plaintiff. In re Genentech, Inc., 566 F.3d 1338, 1342 (Fed. Cir. 2009) (citing Volkswagen, 545 F.3d at 315).

The Fifth Circuit applies the “public” and “private” factors for determining forum non conveniens when deciding a § 1404(a) motion to transfer venue. Volkswagen, 545 F.3d at 314 n.9. As this court noted in In re TS Tech USA Corp., 551 F.3d 1315, 1319 (Fed. Cir. 2008), the private interest factors include: “(1) the relative ease of access to sources of proof; (2) the availability of compulsory process to secure the attendance of witnesses; (3) the cost of attendance for willing witnesses; and (4) all other practical problems that make a trial easy, expeditious and inexpensive.” The public interest factors include: “(1) the administrative difficulties flowing from court congestion; (2) the local interest in having localized interests decided at home; (3) the familiarity of the forum with the law that will govern the case; and (4) the avoidance of unnecessary problems of conflicts of law or in the application of foreign law.” Id.

Application of the Factors

As in Volkswagen, TS Tech, Genentech, and this court’s most recent decision, In re Hoffmann-La Roche Inc., Misc. No. 911, 2009 WL 4281965 (Fed. Cir. Dec. 2, 2009), this case features a stark contrast in relevance, convenience, and fairness between the two venues. See Volkswagen, 545 F.3d 304; TS Tech, 551 F.3d 1315; Genentech, 566 F.3d 1338. This court has held and holds again in this instance that in a case featuring most witnesses and evidence closer to the transferee venue with few or no convenience factors favoring the venue chosen by the plaintiff, the trial court should grant a motion to

transfer. See, e.g., Hoffmann, 2009 WL 4281965; Genentech, 566 F.3d 1338; TS Tech, 551 F.3d 1315.

This court initially notes that the district court correctly determined that Nintendo's extensive contacts in the Western District of Washington indisputably make it a proper venue for this patent infringement suit. The district court also properly afforded several of the forum non conveniens factors no weight in its § 1404(a) analysis because they were indeed neutral on this record. Among the factors entitled to no weight were the availability of compulsory process to secure attendance of witnesses; the practical problems that make a trial easy, expeditious, and inexpensive; the administrative difficulties flowing from court congestion; the familiarity of the forum with the law that will govern the case; and the avoidance of unnecessary problems of conflicts of law or in the application of foreign law.

The district court also correctly assessed the local interest of the Western District of Washington as high. Moreover, the trial court candidly observed that the Eastern District of Texas has little relevant local interest in the dispute. The Fifth Circuit has unequivocally rejected the argument that citizens of the venue chosen by the plaintiff have a "substantial interest" in adjudicating a case locally because some allegedly infringing products found their way into the Texas market. See Volkswagen, 545 F.3d at 317-18. Indeed this court has stressed this same point. See TS Tech, 551 F.3d at 1321. If the products were sold throughout the United States, as here, then the citizens of the venue chosen by the plaintiff "have no more or less of a meaningful connection to the case than any other venue." Id. The record shows that NOA is incorporated in Washington and has its principal place of business in the Western District of

Washington. No parties, witnesses, or evidence have any material connection to the venue chosen by the plaintiff. Therefore, the record leaves only the conclusion that the local interest in Washington clearly favors transfer.

The convenience and cost of attendance for witnesses is an important factor in the transfer calculus. Genentech, 566 F.3d at 1343. “Additional distance [from home] means additional travel time; additional travel time increases the probability for meal and lodging expenses; and additional travel time with overnight stays increases the time which these fact witnesses must be away from their regular employment.” TS Tech, 551 F.3d at 1320 (quoting Volkswagen, 545 F.3d at 317) (internal quotation marks omitted). Because inconvenience for witnesses increases with distance from home, the Fifth Circuit established the “100-mile” guideline. Volkswagen, 545 F.3d at 317. Under this tenet, “[w]hen the distance between an existing venue for trial of a matter and a proposed venue under § 1404(a) is more than 100 miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled.” Id.

All of the identified key witnesses in this case are in Washington, Japan, Ohio, and New York. No witnesses live in Texas. Even without including the four Japanese witnesses who would each have to travel an additional 1,756 miles or 7 hours by plane to Texas as compared with Washington State, the average travel required for each of the remaining six identified witnesses to Texas is approximately 700 miles more than to Washington. Furthermore, four of the identified witnesses live in Washington, and no witnesses live in Texas. The district court erroneously determined that the cost of attendance for willing witnesses only “slightly favors transfer.” On this record, this court does not agree with the district court’s assessment of the 100-mile tenet. See TS Tech,

551 F.3d at 1320 (holding that the district court's refusal to considerably weigh this factor in favor of transfer was erroneous when the witnesses would need to travel approximately 900 more miles to attend trial in Texas than in Ohio). The cost of attendance for willing witnesses clearly favors transfer.

The district court also erred in considering as neutral the relative ease of access to sources of proof. "The fact 'that access to some sources of proof presents a lesser inconvenience now than it might have absent recent developments does not render this factor superfluous.'" Id. at 1321 (quoting Volkswagen, 545 F.3d at 316). In Genentech, this court held that "[i]n patent infringement cases, the bulk of the relevant evidence usually comes from the accused infringer. Consequently, the place where the defendant's documents are kept weighs in favor of transfer to that location." 556 F.3d at 1345 (quoting Neil Bros. Ltd. v. World Wide Lines, Inc., 425 F. Supp. 2d 325, 330 (E.D.N.Y. 2006)) (internal quotation marks omitted). Neither Motiva nor Nintendo have any relevant documentation or any other evidence in the Eastern District of Texas, the plaintiff's choice of venue. Nintendo informed the district court that the majority of NOA's relevant documents are located within the transferee venue. The record also shows that all of Nintendo's research and development documents are located in Kyoto, Japan. Notwithstanding this evidence, the district court assumed that Nintendo's relevant documents were equally spread between its headquarters in Japan and Washington, and minor satellite offices in California and New York. By including these minor offices in the equation, the trial court hypothesized that the Eastern District of Texas could serve as a centralized location. This court has already questioned this type of reasoning in another case involving the Eastern District of Texas. See id. at 1344

(holding that it is improper to consider the centralized location of the Eastern District of Texas when no identified witness resides in the district). Because most evidence resides in Washington or Japan with none in Texas, the district court erred in not weighing this factor heavily in favor of transfer.

In TS Tech, this court noted that the Fifth Circuit forbids treating the plaintiff's choice of venue as a factor in the analysis of a request to transfer for the convenience of the parties. 551 F.3d at 1320. Instead, "the plaintiff's choice of venue corresponds to the burden that a moving party must meet in order to demonstrate that the transferee venue is a clearly more convenient venue." Id. This court held that the district court in that case gave too much weight to the plaintiff's choice of venue by affording the plaintiff's choice considerable deference. This court granted mandamus, determining that the petitioner met its burden to establish that the district court clearly abused its discretion in denying transfer. Id. at 1322-23. This case appears to repeat the erroneous methodology that led this court to grant mandamus in TS Tech. Id. The district court gave the plaintiff's choice of venue far too much deference.

"Patently Erroneous Result"

A court may deny a petition for mandamus "[i]f the facts and circumstances are rationally capable of providing reasons for what the district court has done." Genentech, 556 F.3d at 1347 (quoting Volkswagen, 545 F.3d at 317 n.7) (internal quotation marks omitted). Mandamus relief in § 1404(a) cases is permitted when the petitioner is able to demonstrate that the denial of transfer was a clear abuse of discretion such that refusing transfer produced a "patently erroneous result." Id. at 1348 (quoting Volkswagen, 545 F.3d at 310).

This court concludes that Nintendo has met its difficult burden of demonstrating a clear and indisputable right to a writ. As in TS Tech and Volkswagen, the district court clearly abused its discretion in denying transfer from a venue with no meaningful ties to the case. See TS Tech, 551 F.3d 1315; Volkswagen, 545 F.3d 304. The district court: (1) applied too strict of a standard to allow transfer; (2) gave too much weight to the plaintiff's choice of venue; (3) misapplied the forum non conveniens factors; (4) incorrectly assessed the 100-mile tenet; (5) improperly substituted its own central proximity for a measure of convenience of the parties, witnesses, and documents; and (6) glossed over a record without a single relevant factor favoring the plaintiff's chosen venue.

Nintendo has also shown that it has no other means for obtaining relief. As this court noted in TS Tech, "it is clear under Fifth Circuit law that a party seeking mandamus for a denial of transfer clearly meets the 'no other means' requirement." 551 F.3d at 1322. In TS Tech, this court stated that the petitioner was not required to ask the district court to reconsider its motion denying transfer after the Fifth Circuit issued its en banc decision in Volkswagen because the petitioner had no reasonable expectation that seeking reconsideration of the order would have produced a different result. Id. Here, Nintendo had already presented facts showing entitlement to a transfer. After Nintendo was able to produce additional facts supporting its motion to transfer venue, it filed a motion for reconsideration. Nintendo, however, is not required to wait for the district court's decision on the motion for reconsideration because the district court clearly abused its discretion when deciding the original motion.

The “no other means” requirement does not impose an insurmountable rule that the petitioner exhaust every possible avenue of relief before seeking mandamus relief. See id. The purpose of the “no other means” requirement is to “ensure that the writ will not be used as a substitute for the regular appeals process.” Id. Moreover, a petitioner would not have an adequate remedy for an improper failure to transfer the case by way of an appeal from an adverse final judgment because the petitioner would not be able to show that it would have won the case had it been litigated in the other venue. Id.

IV.

Because Nintendo has met its burden of establishing that the district court clearly abused its discretion in denying transfer of venue to the Western District of Washington, and because this court determines that mandamus relief is appropriate in this case, it grants Nintendo’s petition for a writ of mandamus.

Accordingly,

IT IS ORDERED THAT:

The petition for writ of mandamus is granted. The district court shall vacate its June 30, 2009 order and transfer the case to the United States District Court for the Western District of Washington.

FOR THE COURT

December 17, 2009

Date

/s/ Jan Horbaly

Jan Horbaly
Clerk

cc: Alex V. Chachkes, Esq.
Christopher D. Banys, Esq.
Clerk, United States District Court
for the Eastern District of Texas

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

In re: GOOGLE INC.,
Petitioner

2015-138

On Petition for Writ of Mandamus to the United States District Court for the Eastern District of Texas in No. 2:14-cv-00760-JRG-RSP, Magistrate Judge Roy S. Payne.

ON PETITION

Before NEWMAN, LINN, and O'MALLEY, *Circuit Judges*.
NEWMAN, *Circuit Judge*.

O R D E R

Google Inc. seeks a writ of mandamus to direct the United States District Court for the Eastern District of Texas to stay proceedings and rule on Google's pending motion to transfer venue.

This petition arises out of a patent infringement suit filed against Google by Brite Smart Corp. in July 2014, which was assigned to a magistrate judge. On October 24, 2014, Google moved to transfer the case to the United States District Court for the Northern District of Califor-

nia. The magistrate judge received Brite Smart's response on November 10, 2014, and Google's reply and Brite Smart's surreply by December 1, 2014, but has yet to rule on the motion. Nonetheless, the magistrate judge has ordered the parties to engage in extensive discovery, including the taking of depositions and exchanging infringement and invalidity contentions, and held a Markman hearing.

At times, a lengthy delay in ruling on a request for relief can amount to a denial of the right to have that request meaningfully considered. *See, e.g., Johnson v. Rogers*, 917 F.2d 1283, 1285 (10th Cir. 1990) (granting a petition for a writ of mandamus because the "delay in this [habeas corpus] case for no reason other than docket congestion [wa]s impermissible"); *Pub. Citizen Health Research Grp. v. Comm'r, Food & Drug Admin.*, 740 F.2d 21, 32 (D.C. Cir. 1984) ("At some point administrative delay amounts to a refusal to act . . .") (internal quotation marks and citation omitted).

In the context of transfer of venue motions, lengthy delays have the ability to frustrate 28 U.S.C. § 1404(a)'s intent to "prevent the waste 'of time, energy, and money' and 'to protect litigants, witnesses and the public against unnecessary inconvenience and expense,'" *Van Dusen v. Barrack*, 376 U.S. 612, 616 (1964) (quoting *Cont'l Grain Co. v. The Barge FBL-585*, 364 U.S. 19, 26, 27 (1960)), when defendants are forced to expend resources litigating substantive matters in an inconvenient venue while a motion to transfer lingers unnecessarily on the docket.

We, like other courts, have therefore stressed "the importance of addressing motions to transfer at the outset of litigation." *In re EMC Corp.*, 501 F. App'x 973, 975 (Fed. Cir. 2013); *In re Horseshoe Entm't*, 337 F.3d 429, 433 (5th Cir. 2003) ("[I]n our view disposition of that [transfer] motion should have taken a top priority in the handling of this case by the . . . District Court."); *McDon-*

IN RE: GOOGLE INC.

3

nell Douglas Corp. v. Polin, 429 F.2d 30, 30-31 (3d Cir. 1970) (“We feel it is not proper to postpone consideration of the application for transfer under 1404(a) until discovery on the merits is completed since it is irrelevant to” the “question of transfer.”).

Here, Google filed its motion to transfer approximately eight months ago. Yet, despite the obligation to “promptly conduct” such proceedings, Fed. R. Civ. P. 72(a), there has been no ruling, not even a hearing. Meanwhile, the magistrate judge has pressed forward with the case, proceeding through to the close of discovery and conducting both a Markman hearing and a hearing related to several discovery disputes. Brite Smart makes much of the fact that Google moved to supplement its motion to transfer. However, Google’s supplement amounted to less than two pages highlighting seven lines of deposition testimony. It does not account for the previous months of district court indecision. And Google expressly asked the district court to deny the request if it meant further delay on the transfer motion.

Given this passage of time and magistrate judge’s ordering of substantive development of the case, Google has made a compelling case that the magistrate arbitrarily refused to consider the merits of its transfer motion. We therefore direct the magistrate to rule on the motion to transfer within 30 days and to stay all proceedings pending completion of the transfer matter. We remind the lower court that any familiarity that it has gained with the underlying litigation due to the progress of the case since the filing of the complaint is irrelevant when considering the transfer motion and should not color its decision. *See EMC*, 501 F. App’x at 976.

Accordingly,

IT IS ORDERED THAT:

The petition is granted to the extent that the lower court must issue a decision on Google's transfer motion within 30 days of the date of this order and stay all other proceedings pending final resolution of the transfer motion.

FOR THE COURT

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

United States Court of Appeals for the Federal Circuit

IN RE: TC HEARTLAND LLC,
Petitioner

2016-105

On Petition for Writ of Mandamus to the United States District Court for the District of Delaware in No. 1:14-cv-00028-LPS, Chief Judge Leonard P. Stark.

ON PETITION

JOHN F. DUFFY, Hughes Hubbard & Reed LLP, Washington, DC, argued for petitioner. Also represented by JAMES W. DABNEY, RICHARD KOEHL, STEFANIE M. LOPATKIN, WANDA DELORIS FRENCH-BROWN, New York, NY.

JOHN DAVID LUKEN, Dinsmore & Shohl LLP, Cincinnati, OH, argued for respondent. Also represented by JOSHUA LORENTZ.

BRIAN DAVID LEDAHL, Russ August & Kabat, Los Angeles, CA, for amici curiae Guy Fielder, Jon D. Paul, Network-1 Technologies, Inc., Neurografix, Paul Morinville, Scientific Telecommunications, LLC, US Inventor, Inc. Also represented by MARC AARON FENSTER.

VERA RANIERI, Electronic Frontier Foundation, San Francisco, CA, for amici curiae Electronic Frontier Foundation, Public Knowledge, Engine Advocacy. Also represented by CHARLES DUAN, Public Knowledge, Washington, DC.

JOHN D. VANDENBERG, Klarquist Sparkman, LLP, Portland, OR, for amici curiae Acushnet Company, Adobe Systems Incorporated, Asus Computer International, Demandware, Inc., Dropbox, Inc., Ebay, Inc., Google Inc., HP Inc., HTC America, Inc., InterActiveCorp, Intuit, Inc., L Brands, Inc., Lecorpio LLC, LinkedIn Corp., Macy's, Inc., Newegg Inc., North Carolina Chamber, North Carolina Technology Association, QVC, Inc., SAP America, Inc., SAS Institute Inc., Symmetry LLC, Vizio, Inc., Xilinx, Inc. Also represented by ROBERT TODD CRUZEN, KLAUS H. HAMM.

Before MOORE, LINN, and WALLACH, *Circuit Judges*.

MOORE, *Circuit Judge*.

O R D E R

TC Heartland LLC (“Heartland”) petitions for a writ of mandamus to direct the United States District Court for the District of Delaware to either dismiss or transfer the patent infringement suit filed against it by Kraft Foods Group Brands LLC (“Kraft”). We deny Heartland’s petition.

BACKGROUND

Heartland is a limited liability company organized and existing under Indiana law and headquartered in Indiana. *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. 14-28-LPS, 2015 WL 4778828, at *1 (D. Del. Aug. 13, 2015) (“Magistrate’s Report”). Respondent Kraft is organized and exists under Delaware law and its prin-

cipal place of business is in Illinois. *Id.* Kraft filed suit against Heartland in the United States District Court for the District of Delaware alleging that Heartland's liquid water enhancer products ("accused products") infringe three of Kraft's patents. *Id.* at *1–2. Heartland moved to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(2) for lack of personal jurisdiction. *Id.* at *1. It also moved to either dismiss the action or transfer venue to the Southern District of Indiana under 28 U.S.C. §§ 1404 and 1406. *Id.*

Before the district court, Heartland alleged that it is not registered to do business in Delaware, has no local presence in Delaware, has not entered into any supply contracts in Delaware or called on any accounts there to solicit sales. But Heartland admitted it ships orders of the accused products into Delaware pursuant to contracts with two national accounts. In 2013, these shipments, which contained 44,707 cases of the accused product that generated at least \$331,000 in revenue, were about 2% of Heartland's total sales of the accused products that year. The Magistrate Judge, applying, *inter alia*, our precedent from *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1571 (Fed. Cir. 1994), determined that it had specific personal jurisdiction over Heartland for claims involving the accused products. He also rejected Heartland's arguments that Congress' 2011 amendments to 28 U.S.C. § 1391 changed the law governing venue for patent infringement suits in a manner which nullified our holding in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). The district court adopted the Magistrate Judge's report in all respects and denied Heartland's motions. *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. 14-28-LPS, 2015 WL 5613160, at *1–2 (D. Del. Sept. 24, 2015) ("District Court Order"). In so doing, the district court specifically stated that the Magistrate Judge correctly concluded that *Beverly Hills Fan* governed the personal jurisdiction analysis and that

Congress' 2011 amendments to 28 U.S.C. § 1391 “did not undo” our decision in *VE Holding*. *Id.* We agree.

DISCUSSION

A writ of mandamus is an extraordinary remedy appropriate only in exceptional circumstances, such as those amounting to a judicial “usurpation of power” or a clear abuse of discretion. *Cheney v. U.S. Dist. Court for the Dist. of Columbia*, 542 U.S. 367, 380 (2004). Three conditions must be satisfied before issuing the writ: 1) the petitioner must have no other adequate means to attain the relief he desires; 2) the petitioner has the burden to show his right to mandamus is “clear and indisputable”; and 3) the issuing court must be satisfied that the writ is appropriate under the circumstances. *Id.* at 380–81. The parties do not address all three parts of the *Cheney* test in their briefing, focusing instead on only the second part. We likewise confine our analysis to only the second part of the *Cheney* test.

Heartland argues that it is entitled to a writ of mandamus based on two legal theories. First, it argues that it does not “reside” in Delaware for venue purposes according to 28 U.S.C. § 1400(b). Second, it argues that the Delaware district court lacks specific personal jurisdiction over it for this civil action. We conclude that a writ of mandamus is not warranted. The arguments raised regarding venue have been firmly resolved by *VE Holding*, a settled precedent for over 25 years. The arguments raised regarding personal jurisdiction have been definitively resolved by *Beverly Hills Fan*, a settled precedent for over 20 years. As a panel, we are bound by the prior decisions of this court.

A. Venue

With respect to venue, Heartland argues that Congress' 2011 amendments to 28 U.S.C. § 1391 changed the statutory law in a manner which effectively overruled *VE*

Holding: “To be clear, the argument set forth here is that this Court’s holding in *VE Holding* no longer applies given the changed language in §§ 1391(a) and (c).” Pet. 9. We do not agree. In *VE Holding*, this court held that the definition of corporate residence in the general venue statute, § 1391(c), applied to the patent venue statute, 28 U.S.C. § 1400. The 2011 amendments to the general venue statute relevant to this appeal were minor. The language preceding the definition of corporate residence in § 1391 was changed from “For the purposes of venue under this chapter . . .” to “For all venue purposes . . .” *Compare* 28 U.S.C. § 1391(c) (1988) *with* 28 U.S.C. § 1391(c) (2011). This is a broadening of the applicability of the definition of corporate residence, not a narrowing. This change in no manner supports Heartland’s arguments.

The only other relevant 2011 amendment is the addition of the language in § 1391(a), “Applicability of section.--Except as otherwise provided by law.” Heartland argues that the “law” otherwise defined corporate residence for patent cases and therefore the statutory definition found in § 1391(c) is no longer applicable to patent cases. As Heartland itself acknowledges, “most special venue statutes have not been held to encompass particular rules about residency, and thus subsection (c) can apply to such statutes wherever they are found in the U.S. Code.” Pet. 7–8. The patent venue statute, 28 U.S.C. § 1400(b), provides in its entirety: “Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.” It is undisputed that the patent venue statute itself does not define corporate residence and thus there is no statutory “law” that would satisfy Heartland’s claim that Congress intended in 2011 to render § 1391(c)’s definition of corporate residence inapplicable to venue for patent cases. However, Heart-

land argues that Congress intended to include federal common law limited to Supreme Court precedent in the law which could otherwise define corporate residence and thus render the statutory definition of § 1391(c) inapplicable.¹ Accepting without deciding whether Heartland is correct that “except as otherwise provided by law” includes such federal common law, Heartland has not established that federal common law actually supports its position. Heartland asks us to presume that in the 2011 amendments Congress codified the Supreme Court’s decision in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957) regarding the patent venue statute that was in effect prior to the 1988 amendments. We find this argument to be utterly without merit or logic. The venue statute was amended in 1988 and in *VE Holding*, this court held that those amendments rendered the statutory definition of corporate residence found in § 1391 applicable to patent cases. In *VE Holding*, we found that the Supreme Court’s decision in *Fourco* with regard to the appropriate definition of corporate residence for patent cases in the absence of an applicable statute to be no longer the law because in the 1988 amendments Congress had made the definition of corporate residence applicable to patent cases. 28 U.S.C. § 1391(c) (1988) (“For the purposes of venue under this chapter”). In 1988, the common law definition of corporate residence for patent cases was superseded by a Congressional one. Thus, in 2011, there was no established governing Supreme Court common law ruling which Congress could even arguably

¹ *Dubitante*: Heartland’s briefs cite nothing to support its idea that the general statement “except as otherwise provided by law” was meant to codify Supreme Court common law. And the briefs do not cite a single case holding that Congress codified Supreme Court common law into a statute using such general language like that at issue here.

have been codifying in the language “except otherwise provided by law.”

Heartland cites to a single sentence in a footnote in the Supreme Court’s decision in *Atlantic Marine Construction Co. v. United States District Court for the Western District of Texas*, 134 S. Ct. 568, 577 n.2 (2013), to argue “the Supreme Court showed its belief that § 1391 is not applicable to patent cases, and § 1400 is.” Reply 9. Heartland’s argument misses its mark. The Supreme Court’s footnote states in its entirety: “Section 1391 governs ‘venue generally,’ that is, in cases where a more specific venue provision does not apply. Cf., e.g., § 1400 (identifying proper venue for copyright and patent suits).” *Atl. Marine Constr. Co.*, 134 S. Ct. at 577 n.2. It is undisputed that § 1400 is a specific venue provision pertaining to patent infringement suits. But what Heartland overlooks, and what *Atlantic Marine* does not address, is that § 1400(b) states that venue is appropriate for a patent infringement suit “where the defendant resides” without defining what “resides” means when the defendant is a corporation. The general statement in this footnote is completely accurate, but cannot be transmogrified into the argument made by Heartland. “[T]he general statute, § 1391(c), expressly reads itself into the specific statute, § 1400(b),” “only operates to define a term in § 1400(b),” and does not “conflict with § 1400(b).” *VE Holding*, 917 F.2d at 1580.

Heartland has presented no evidence which supports its view that Congress intended to codify *Fourco* in its 2011 amendments. In fact, before and after these amendments, in the context of considering amending the patent venue statute, Congressional reports have repeatedly recognized that *VE Holding* is the prevailing law. See H.R. Rep. No. 110–314, at 39–40 (2007); S. Rep. No. 110–259, at 25 (2008); H.R. Rep. No. 114–235, at 34 (2015) (stating that “Congress must correct” our holding in *VE Holding* by amending § 1400); cf. Venue Equity and

Non-Uniformity Elimination Act of 2016, S. 2733, 114th Cong. § 2(a) (2016).² Even if Congress' 2011 amendments were meant to capture existing federal common law, as Heartland argues, regarding the definition of corporate residence for venue in patent suits, *Fourco* was not and is not the prevailing law that would have been captured. We reject Heartland's argument that in 2011 Congress codified the common law regarding venue in patent suits as described in *Fourco*.

B. Personal Jurisdiction

Heartland's argument regarding personal jurisdiction in this case is, as the Magistrate Judge noted, difficult to follow.³ Heartland appears to be arguing that 1) the Supreme Court's recent decision in *Walden v. Fiore*, 134 S. Ct. 1115, 1121 n.6 (2014), makes clear that specific personal jurisdiction can only arise from activities or occurrences taking place in the forum state, and 2) Federal Circuit case law makes clear that each act of patent infringement gives rise to a separate cause of action, such that 3) the logical combination of these two points of law means that the Delaware district court has specific personal jurisdiction over Heartland for allegedly infringing acts that occurred in Delaware only, not those

² In fact, the 2007 House Report indicates that the House Judiciary Committee "believes that simply returning to the 1948 venue framework [i.e., that described in *Fourco*] would be too strict for modern patterns of technology development and global commerce." H.R. Rep. No. 110-314, at 40 (2007).

³ It appears that Heartland does not contest jurisdiction under Delaware's long-arm statute. As such, we, like the district court, interpret Heartland's argument to be that the Delaware district court lacks specific personal jurisdiction under the Due Process Clause of the Fourteenth Amendment.

occurring in other states.⁴ Applied to the facts of record, under Heartland's argument, the Delaware district court would only have specific personal jurisdiction over the approximately 2% of Heartland's 2013 sales of the accused product (i.e., 44,707 cases of the accused product that generated at least \$331,000 in revenue) that Heartland shipped into Delaware. Thus, to resolve nationwide the same issues as in this Delaware infringement suit, Kraft would have to bring separate suits in all other states in which Heartland's allegedly infringing products are found. Alternatively, under Heartland's argument, Kraft could opt to bring one suit against Heartland in Heartland's state of incorporation.⁵

⁴ Heartland argues even for the 2% of products it shipped to Delaware it did not "purposefully avail" itself of the privilege of conducting activities in Delaware and thus the due process requirement for specific personal jurisdiction is not met. Heartland has not established that it is clearly and indisputably entitled to relief on this point.

⁵ In its Reply and its rebuttal at oral argument, Heartland made a new argument that it asserts is a "complete answer:" that Kraft would be able to bring a single suit in a jurisdiction other than where Heartland is incorporated because "[u]nder Federal Rule of Civil Procedure 4(k)(1)(C), a patentee can obtain personal [jurisdiction] by serving process under [28 U.S.C.] § 1694 and thereby obtain complete relief in any district where a defendant 'has committed acts of infringement and has a regular and established place of business.'" Reply 1 (quoting 28 U.S.C. § 1400(b)). Heartland did not raise this argument before the district court. In fact, Heartland made a contradictory argument before the district court, stating in its opening brief to the Magistrate Judge that "[t]here is no federal statute that authorizes service of

Heartland's arguments are foreclosed by our decision in *Beverly Hills Fan*. In that case, we held that the due process requirement that a defendant have sufficient minimum contacts with the forum was met where a non-resident defendant purposefully shipped accused products into the forum through an established distribution channel and the cause of action for patent infringement was alleged to arise out of those activities. *Beverly Hills Fan*, 21 F.3d at 1565; see also *Acorda Therapeutics Inc. v. Mylan Pharm. Inc.*, Nos. 2015-1456, 2015-1460, 2016 WL 1077048, at *7 (Fed. Cir. Mar. 18, 2016) (determining that the minimum contacts requirement was met where a defendant contracted with a network of independent wholesalers and distributors to market the accused product in Delaware, the forum state). Such is the case here. Heartland admits that it shipped orders of the accused products directly to Delaware under contracts with what it characterizes as "two national accounts" that are headquartered outside of Delaware. And Heartland does not dispute that Kraft's patent infringement claims arise out of or relate to these shipments. This is sufficient for minimum contacts.

originating process in patent cases, so Federal Rule of Civil Procedure 4(k)(1)(C) does not apply." Heartland's Opening Br. at 5, *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. 14-28-LPS (D. Del. June 23, 2014), ECF No. 8. And Heartland did not raise this argument in its petition for a writ of mandamus. Thus, Kraft did not have an opportunity to respond to Heartland's new argument, and, based on Heartland's arguments before the district court, it would not have expected to face such an argument. Heartland's belated raising of this new argument is especially inappropriate in the context of a petition for a writ of mandamus.

We also held in *Beverly Hills Fan* that, even where there are sufficient minimum contacts under a stream of commerce theory or otherwise, due process also requires that a forum's assertion of jurisdiction be reasonable, considering all the facts and circumstances of a case. *Beverly Hills Fan*, 21 F.3d at 1568; see also *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1947) (explaining that due process requires that "maintenance of the suit does not offend 'traditional notions of fair play and substantial justice'"). We explained that the forum state had significant interests in discouraging injuries that occur within the state, such as patent infringement, and in cooperating with other states to provide a forum for efficiently litigating a plaintiff's cause of action. *Beverly Hills Fan*, 21 F.3d at 1568. We further explained that the plaintiff could seek redress in the forum state for sales of the accused product in other states, thereby sparing other states the burden of also having to provide such a forum and protecting defendants from being harassed with multiple infringement suits. *Id.* And we explained that the burden on the defendant did not appear particularly significant and was not sufficiently compelling to outweigh the plaintiff's and the forum state's interests. *Id.* at 1569. Heartland does not argue that the district court's exercise of jurisdiction is unreasonable, nor does it dispute that the balance of the plaintiff's and forum state's interests against the burdens imposed on it is any different than those in *Beverly Hills Fan*. Instead, it argues that our statement in *Beverly Hills Fan* that a forum state could hear claims for infringing acts occurring outside of the forum state was dictum. We do not agree. Heartland also argues that we ought to be guided by the Supreme Court's footnote in *Walden*. We are bound by *Beverly Hills Fan* and the Supreme Court's general statement in Footnote 6 of *Walden* cannot be read to overturn *sub silentio* *Beverly Hills Fan*.

CONCLUSION

Heartland's arguments are foreclosed by our long standing precedent. Heartland has thus failed to show that its right to mandamus is clear and indisputable.

Accordingly,

IT IS ORDERED THAT:

The petition for a writ of mandamus is denied.

FOR THE COURT

April 29, 2016
Date

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

[PUBLISH]

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

No. 14-13440

D.C. Docket No. 4:12-cv-00237-HLM

HOME LEGEND, LLC,

Plaintiff-Appellee–
Counter Defendant,

versus

MANNINGTON MILLS, INC.,

Defendant-Appellant–
Counter Claimant,

POWER DEKOR GROUP CO. LTD.,

Consol. Defendant-Appellee.

Appeal from the United States District Court
for the Northern District of Georgia

(April 29, 2015)

Before ED CARNES, Chief Judge, JILL PRYOR and HIGGINBOTHAM,* Circuit Judges.

ED CARNES, Chief Judge:

I.

Mannington Mills, Inc. appeals the grant of summary judgment in favor of Home Legend, LLC, that Mannington's registered copyright in its "Glazed Maple" design is invalid.

A.

Because this is Mannington's appeal of the grant of summary judgment against it, we view all evidence and draw all reasonable inferences in the light most favorable to Mannington, the non-moving party. See Hamilton v. Southland Christian Sch., Inc., 680 F.3d 1316, 1318 (11th Cir. 2012). In that light, the facts are these.

Mannington and Home Legend both sell (among other products) laminate wood flooring. Laminate flooring consists of three functional layers, starting from the bottom: a balancing or stabilizing layer, often made of water-resistant resin; a core board of wood fiber mixed with resin and pressed at high temperatures to form a strong and solid board; and a transparent wear-resistant overlay. Because the resulting flooring is not much to look at, laminate flooring manufacturers add a

* Honorable Patrick E. Higginbotham, United States Circuit Judge for the Fifth Circuit, sitting by designation.

decorative layer called “décor paper” between the core board and the transparent overlay. This décor paper features a piece of two-dimensional artwork and could depict any design capable of two-dimensional representation, though in practice the décor paper usually appears to be a typical flooring material like wood or stone that looks better (and costs more) than unadorned laminate flooring.

The copyright at issue in this case covers Mannington’s décor paper design called “Glazed Maple,” which is a huge digital photograph depicting fifteen stained and apparently time-worn maple planks. That appearance, though, is only an appearance. In 2008, three Mannington employees created the Glazed Maple design not from aged planks but from raw wood. After initial research and brainstorming about home decor trends, they decided to create an aged and rustic look. The team did not seek out an actual aged wood floor from which to create the design but instead “envision[ed what] a floor could look like after” twenty or thirty years, including the effects “age and wear and patina” might have on the planks.

The Mannington team began with between fifty and seventy-five raw, smooth-milled white maple planks. With a selection of hand tools, they added gouges, dents, nail holes, ripples, “chatter marks,” and other surface imperfections to the wood in an effort to make it look like floorboards that had been walked across for many years. Then, using rags, sponges, and dry brushes, they applied

layers of stain to the planks, more darkly and heavily at the edges of the boards to create the appearance of increased wear in the boards' centers. And as the team intended, the stain pooled in some of the textured areas they had created, making darker spots on the wood. They selected and applied more than one stain color. The team chose to accentuate some of the naturally occurring marks and to de-emphasize others, and they used more stain and paint to add effects like shadowing, simulated mineral streaks, and dark spots that were not present on the raw wood.

Once they were satisfied with these prototype planks, the Mannington team experimented with various selections and arrangements of the boards to choose combinations of planks that the team thought would look good in a home. They then chose about thirty of the planks to photograph with a high-resolution digital scanner. One of the team members then made more changes to the digital images, deleting areas that were "a little heavy," retouching other areas, and altering the contrast where boards were "too dark or too light" in comparison with the group as a whole. The team printed out the resulting images, selected fifteen of them, and made a composite of those fifteen plank images into a single 120-inch-by-100-inch digital image — the Glazed Maple design.

B.

The United States Register of Copyrights registered Mannington's copyright in its Glazed Maple design in November 2010. The copyright covers the two-dimensional Glazed Maple design. Although Mannington sells flooring bearing its Glazed Maple design under the name "Time Crafted Maple," it is the image, not the flooring product, that is the subject of the copyright and thus at issue in this case.

In September 2012, Mannington discovered that its competitor Home Legend was selling laminate flooring products with designs that it alleges were "virtually identical in every respect" to the Glazed Maple design. Mannington requested that Home Legend stop selling the allegedly infringing products. On October 8, 2012, Home Legend responded by filing suit in the district court, seeking a declaratory judgment that Mannington's copyright was invalid. Mannington counterclaimed for copyright infringement and moved for a preliminary injunction, a motion that the district court denied.¹

At the close of discovery, Home Legend moved for summary judgment, arguing that Mannington's registered Glazed Maple copyright did not cover copyright-eligible subject matter. The district court granted summary judgment to Home Legend on three alternative grounds. One ground was that Mannington's

¹ Mannington filed an interlocutory appeal of the order denying its preliminary-injunction motion, but we dismissed that appeal without prejudice on the joint motion of the parties.

Glazed Maple design lacked the requisite originality to be an “original work[] of authorship” eligible for copyright protection under 17 U.S.C. § 102(a). Another was that the Glazed Maple design was “simply not separable from the functional element of the flooring,” and that “the 2-D artwork [of the Glazed Maple design] would not be marketable if it were separated from the functional elements of the flooring.” On that basis, the district court concluded that the Glazed Maple copyright was a “functional component of the flooring itself” and therefore not eligible for copyright. See 17 U.S.C. § 101 (“[T]he design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”). The district court’s remaining alternative ground for summary judgment was that Mannington’s copyright was directed to an “idea or process,” namely the process of recreating the appearance of rustic and aged maple planks. See 17 U.S.C. § 102(b) (“In no case does copyright protection for an original work of authorship extend to any idea, procedure, [or] process . . .”). This is Mannington’s appeal.

II.

We review de novo a grant of summary judgment. Hamilton, 680 F.3d at 1318. And as we mentioned above, we view all evidence and draw all inferences

in the light most favorable to the non-moving party. Id. Summary judgment is appropriate only if “the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a); Hamilton, 68 F.3d at 1318.

Mannington challenges each of the three alternative grounds that the district court gave as the basis for its decision. First, Mannington contends that the Glazed Maple design is not a slavish copy of a work of nature but instead is an artwork Mannington created that is sufficiently original to merit copyright protection. Second, it argues that the artwork is both physically and conceptually separable from the laminate flooring to which it has been applied, and that, as a result, the district court’s ruling that the copyright covered a “useful article” was error. And, third, Mannington contends that the copyright covers the two-dimensional Glazed Maple design, not Mannington’s procedure or process for creating it, and thus the district court’s ruling that the copyright was directed to an uncopyrightable idea or process was error.

A.

Mannington contends that the district court erred when it found that the Glazed Maple design was not original enough to be copyright eligible. To qualify for copyright protection, a work must be original. 17 U.S.C. § 102(a) (“Copyright protection subsists . . . in original works of authorship fixed in any tangible

medium of expression.”) (emphasis added); Feist Publ’ns v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 351, 111 S. Ct. 1282, 1290 (1991) (“As we have explained, originality is a constitutionally mandated prerequisite for copyright protection.”). Whether a work is sufficiently original to merit copyright protection is a question of fact. See BUC Int’l Corp. v. Int’l Yacht Council Ltd., 489 F.3d 1129, 1151 (11th Cir. 2007) (noting that “[t]he jury’s determination that BUC’s copyrights were valid was necessarily based on several factual findings, including that BUC’s compilation contained original elements of creative authorship.”).

Originality is not novelty. Feist, 499 U.S. at 358, 111 S. Ct. at 1294. Instead, copyrightable originality requires only “independent creation” by the author “plus a modicum of creativity.” Id. at 346, 111 S. Ct. at 1288. In other words, the originality requirement is a low bar. Original Appalachian Artworks, Inc. v. Toy Loft, Inc., 684 F.2d 821, 824 (11th Cir. 1982); see also Feist, 499 U.S. at 358, 111 S. Ct. at 1294 (describing the degree of creativity required as “minimal”). The requirement is that the work possess “some creative spark, no matter how crude, humble or obvious.” Feist, 499 U.S. at 345, 111 S. Ct. at 1287 (quotation marks omitted). As the Supreme Court has noted, “the requisite level of creativity is extremely low; even a slight amount will suffice.” Feist, 499 U.S. at 345, 111 S. Ct. at 1287; see also Montgomery v. Noga, 168 F.3d 1282, 1290 (11th Cir. 1999) (same). For example, we have noted that a photograph of another

artwork, so long as it involved minimal creativity in the “selection of lighting, shading, timing, angle, and film” is sufficiently original for copyright protection. Leigh v. Warner Bros., Inc., 212 F.3d 1210, 1215 (11th Cir. 2000).

1.

The district court determined that Mannington’s Glazed Maple design was merely “a design depicting or copying elements found in nature — the look of a rustic, aged wooden floor.” Mannington’s design team began with raw wooden planks, which had naturally occurring wood grain. Because the shape of that wood grain is a product of nature, not of Mannington, it would not be eligible for copyright protection. See Feist, 499 U.S. at 346, 111 S. Ct. at 1288 (copyright is “limited to original intellectual conceptions of the author”) (quotation marks omitted); see also Meshwerks, Inc. v. Toyota Motor Sales U.S.A., Inc., 528 F.3d 1258, 1265 (10th Cir. 2008) (“[W]orks are not copyrightable to the extent they do not involve any expression apart from the raw facts in the world.”). Nor is the rectangular shape of the plank anything but what the plank’s function dictates — and thus that shape is also not copyrightable. See 17 U.S.C. § 101 (“[T]he design of a useful article . . . shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates . . . features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”).

And while photographs of natural objects may be original, it is difficult to imagine that the “selection of lighting, shading, timing, angle, and film” in a scan of a raw wood plank — the goal being to duplicate as exactly as possible the appearance of that plank in a digital medium so it could be faithfully reproduced on laminate flooring — would be sufficiently original to support a copyright in such an individual image. See Leigh, 212 F.3d at 1215 (describing those selections as the “elements of artistic craft” protected by a photographer’s copyright); Meshwerks, 528 F.3d at 1265 (“[T]he facts in this case unambiguously show that Meshwerks did not make any decisions regarding lighting, shading, the background in front of which a vehicle would be posed, the angle at which to pose it, or the like — in short, its models reflect none of the decisions that can make depictions of things or facts in the world, whether Oscar Wilde or a Toyota Camry, new expressions subject to copyright protection.”).

The Mannington designers did not, however, scan raw wooden planks. Instead the evidence, viewed in the light most favorable to Mannington, shows that they imagined what a deeply stained maple floor might look like after years of wear, and then they used stain, paint, hand tools, and digital photo retouching to express their concept first on wood and then as digital images. Ideas alone are not protectable. See 17 U.S.C. § 102(b) (“In no case does copyright protection . . . extend to any idea . . .”). But if the expression of an idea is sufficiently creative,

that expression is protectable. And when the level of creativity in an expression is at issue, testimony about the ideas that informed the expression is evidence of that creativity. Mannington's idea of a distressed maple floor is not protectable, but Mannington's testimony about that idea shows that the idea's expression in the Glazed Maple design was the product of creativity, not a slavish copy of nature. Perhaps that expression is not highly creative, but it does not need to be. The decisions Mannington made in the location and character of the marks it added to the boards render its contributions creative enough to hurdle the low bar of copyrightable originality. See Feist, 499 U.S. at 345, 111 S. Ct. at 1287.

This case is not like the Tenth Circuit's decision in Meshwerks Inc. v. Toyota Motor Sales U.S.A., Inc., 528 F.3d 1258 (10th Cir. 2008). That court held that Meshwerks' computer wireframe models of Toyota vehicles lacked protectable originality over the original Toyota vehicles. Id. at 1266–67. The key to that holding was that Meshwerks merely copied Toyota's work, adding nothing original to the “unadorned Toyota vehicles — the car as car.” Id. at 1265; see also id. at 1264 (“[W]e think Meshwerks' models are not so much independent creations as (very good) copies of Toyota's vehicles.”). To determine whether Meshwerks' models were original, the court asked whether Meshwerks had “an earlier work in mind” when it created its models and the court answered that Meshwerks did: it had Toyota's earlier work in mind. Id. at 1268 (quotation

marks omitted). Here, by contrast, the evidence shows that Mannington did not have another work in mind. At most, it had in mind a genre: rustic flooring. It created a digital artwork in that genre. The creative work was all Mannington's.²

Home Legend, for its part, analogizes Mannington's creative efforts to the work in the "sweat of the brow" cases. The decisions in those cases granted broad copyrights over the facts themselves in factual compilations as "a reward for the hard work that went into compiling" them. Feist, 499 U.S. at 352, 111 S. Ct. at 1291. But those decisions were abrogated by the Copyright Act of 1976, which made clear that originality, not labor, was the prerequisite of copyright. See 17 U.S.C. § 102(a); Feist, 499 U.S. at 352–55, 111 S. Ct. at 1291–93. In Home Legend's analogy, Mannington's work creating the Glazed Maple design was nothing more than mere labor, "sweat of the brow" that is not copyrightable. But the analogy does not fit.

The effort that creative labor requires does not render the labor uncreative.

Drafting and editing a novel usually requires months or years of toil over a

² The district court compared the facts of this case with those in Proline Concrete Tools, Inc. v. Dennis, No. 07-cv-2310, 2013 U.S. Dist. Lexis 188384 (S.D. Cal. Mar. 28, 2013) (unpublished). The Proline court ruled that the Copyright Office had not acted arbitrarily or capriciously when it denied copyright protection to Proline for concrete stamp casts "molded from real stone complete with cut marks and defects." Id. at *17. That court agreed with the Copyright Office's determination that the casts were mere "slavish copies" of "existing stones or rocks." Id. at *17–18. But this is not Proline. Although rocks and stones are "elements found in nature," see id., so far as the record shows, nature in its boundless invention has yet to produce a single "rustic, aged wooden floor" matching the Glazed Maple design. Unlike Proline, Mannington did not simply copy a naturally occurring thing. It transformed the elements found in nature and those dictated by utility — that is, the raw maple planks — into the expression of its rustic floor idea.

keyboard. A masterpiece painting may require many preliminary studies and countless hours of exacting brushwork. Carving or assembling a sculpture may involve backbreaking physical exertion. All of those are examples of creative labor that is creative. So is Mannington's selection and preparation of raw maple planks to express the rustic-floor idea in the Glazed Maple design. Cf. Feist, 499 U.S. at 361, 111 S. Ct. at 1296 (describing uncopyrightable facts as those that exist in the world without the intervention of the purported copyright holder). It involved more than mere sweat-of-the-brow labor. The design did not lack copyrightable originality.

2.

And even if copyright did not protect the altered individual plank images, the Glazed Maple design is more than that. It is a compilation expressing original selection and creative coordination of elements. A compilation even of uncopyrightable elements is eligible for copyright protection, 17 U.S.C. § 103, so long as the compiler independently selects or arranges the elements and “display[s] some minimal level of creativity” in doing so. Feist, 499 U.S. at 358, 111 S. Ct. at 1294; see also id. at 359, 111 S. Ct. at 1244 (“[T]he vast majority of compilations will pass this test . . . [except those in the] narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent.”).

In Feist, the Supreme Court held that a telephone directory that listed the name, town, and phone number of every subscriber in a region, and that did so in alphabetical order by name, was not entitled to copyright protection because the selection, coordination and arrangement of those preexisting facts was “not only unoriginal, [but] practically inevitable.” Id. at 363, 111 S. Ct. at 1297. Not so here. Mannington’s designers independently selected the planks used in the Glazed Maple design, and they exercised “some minimal level of creativity” in the selection or arrangement of those planks. Instead of randomly choosing planks or indiscriminately using all of the fifty to seventy-five planks, Mannington’s designers exercised their creativity in choosing thirty planks that best captured their conception of an aged and rustic maple floor. Then, after those planks were scanned and retouched, the designers further exercised artistic judgment in selecting the fifteen of those thirty images that they believed looked best together. Mannington’s selection and coordination of those images showed originality sufficient to exceed the low bar required to sustain a copyright. See Feist, 499 U.S. at 348, 111 S. Ct. at 1289; BellSouth Adver. & Publ’g Corp. v. Donnelly Info. Publ’g, Inc., 999 F.2d 1436, 1440 (11th Cir. 1993) (“[A] compiler’s selection, arrangement and coordination, if original are the only protectable elements of a factual compilation.”). For this reason too the Glazed Maple design was sufficiently original to be copyrightable.

B.

The district court also concluded that the Glazed Maple design was not copyrightable because it is inseparable from a “useful article” — namely the flooring to which Mannington applied the design. The court reasoned that neither the flooring nor the Glazed Maple design would be marketable without the other: “Certainly, the laminate flooring would not be marketable if its functional elements were separated from the artistic elements, and, conversely, the 2-D artwork would not be marketable if it were separated from the functional elements of the flooring.” We disagree. First, the conclusion was based not on evidence but on conjecture. Second, the facts of this case, viewed in the light most favorable to Mannington, disprove the non-marketability conjecture. Mannington’s evidence is that Home Legend sold flooring decorated with a virtually identical copy of Mannington’s Glazed Maple design. If that is true, the design has some value; otherwise Home Legend would not have copied it. The only obstacle to Mannington demanding payment for the use of its design on other flooring is the district court’s ruling that Mannington lacks protectable rights in its design.

The district court also reasoned that the Glazed Maple design had the function of hiding wear to the floor. Mannington counters that protection is the purpose of the “wear layer” of the flooring and that the decorative layer is just that: decorative. But even if placing an otherwise copyrightable two-dimensional

design on a product serves the secondary function of hiding wear or other imperfections in the product, that is not enough to invalidate the copyright protection for the design. Hanging an Ansel Adams print over an unsightly water stain on a living room wall might make the print “functional” in the same way the district court found the Glazed Maple design to be, but it would have no effect on the copyright in the work itself.

The Copyright Act provides protection for pictorial and graphic works, including “two-dimensional . . . works of . . . applied art.” 17 U.S.C. § 101. It goes on to state,

Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial[] [or] graphic . . . work only if, and only to the extent that, such design incorporates pictorial[] [or] graphic . . . features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

Id. (emphasis added). Separability for the purpose of assessing copyright eligibility of a useful article’s design means that the design is “either physically severable from the utilitarian article or conceptually severable.” Norris Indus., Inc. v. Int’l Tel. & Tel. Corp., 696 F.2d 918, 923 (11th Cir. 1983) (emphasis added).

The Glazed Maple design at issue here meets both tests: it is both physically and conceptually severable from the Time Crafted Maple flooring to which Mannington applied it. The flooring and the design are physically severable: the

evidence shows that Mannington sells otherwise identical flooring that uses décor paper other than the Glazed Maple design. The interchangeability of the paper designs in the manufacturing process necessarily implies that the design and the flooring to which Mannington applies it are physically separate objects.

The Glazed Maple design is also conceptually severable from use as a decoration on Mannington's flooring. The design might as easily be applied to wallpaper or as the veneer of a picture frame. One amicus even suggests that nothing (save perhaps good taste) prevents the "Glazed Maple image from being printed, framed, and hung on a wall as art." Brief of Amicus Curiae Resilient Floor Covering Institute in Support of Appellant at 20. This is obviously true, as it is of any two-dimensional image. Because the design is both physically and conceptually severable from the flooring to which Mannington applied it, the district court erred when it determined the design was an uncopyrightable useful article.

C.

Finally, the district court found that "the Copyright [in the Glazed Maple design] is more accurately directed toward a process or idea, which is not a proper subject for copyright protection." The court's reasoning for this conclusion was that "[a]lthough the Copyright at issue is for 2-D artwork, Mannington's response brief and the majority of its evidence focus on the idea of reproducing the look of

rustic hardwood and natural wood grain, and on the process that Mannington used to obtain that result.”

Mannington focused its evidence and arguments on its process for creating the image because Home Legend’s primary challenge to the validity of Mannington’s copyright was the contention that the design lacked copyrightable originality. Mannington showed copyrightable originality by presenting evidence about how it created the design by altering the natural appearance of the wood. That does not mean that Mannington tried to copyright the process through which it produced the design.³ The copyright protects only the specific two-dimensional digital artwork design that Mannington registered, a design that it created by combining digital images of fifteen maple planks, stained to appear time worn and combined in a specific design. See 17 U.S.C. §§ 101 & 102.

III.

Mannington’s work is sufficiently original to qualify for copyright protection. That protection is unaffected by the design’s use as décor paper on Mannington’s laminate flooring. And Mannington’s copyright in that work covers

³ We also reject Home Legend’s argument that Mannington’s patents protecting methods for finishing wood imply that its copyright in a design depicting finished wood must also be directed toward those same methods. The use of a patented process to create an original design does not mean that the design is not copyrightable. Our intellectual property system recognizes one set of protections for inventions including processes (the patent laws) and another set of protections for art and writings (the copyright laws). The two may be related but they are distinct. See U.S. Const. art. I, § 8, cl. 8 (authorizing Congress to grant “Authors and Inventors” protection for both “Writings and Discoveries”); compare 17 U.S.C. § 102 (copyrightable subject matter), with 35 U.S.C. § 101 (inventions patentable).

the two-dimensional image the registration says it covers, not the process by which the image was created.

Mannington owns a valid copyright, even if the protection that copyright affords it is not particularly strong. Because much of the expression in Mannington’s finished Glazed Maple design still reflects the uncopyrightable features of each plank — features like the shape of the natural underlying wood grain and the plank’s shape, both of which are in the public domain — Mannington’s copyright gives it the limited protection of a derivative work. Warren Publ’g, Inc. v. Microdos Data Corp., 115 F.3d 1509, 1515 n.16 (11th Cir. 1997) (“A creative work is entitled to the most protection, followed by a derivative work, and finally by a compilation.”). The copyright protects only the original elements contributed by Mannington. See 17 U.S.C. § 103(b) (“The copyright in a . . . derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work . . .”). This limited protection and the restricted opportunities for creativity inherent in the genre of faux-aged floorboards mandate a copyright that extends (as Mannington concedes) only to identical and near-identical copies of the Glazed Maple design — to copies made, for example, by photographing the design from Mannington’s Time Crafted Maple flooring and making trivial color alterations. Mannington would have no copyright-infringement claim against someone who

used processes like Mannington's to make his own aged-maple designs, so long as those final designs were his own expressions, not copies of Mannington's work.

The district court's judgment declaring that Mannington's copyright is invalid is due to be reversed and the case remanded for further proceedings consistent with this opinion.

REVERSED and **REMANDED**.

No. 13-935

IN THE
Supreme Court of the United States

WELLNESS INTERNATIONAL NETWORK, LIMITED,
RALPH OATS, AND CATHY OATS,
Petitioners,

v.

RICHARD SHARIF,
Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

BRIEF OF THE AMERICAN COLLEGE OF
BANKRUPTCY AS AMICUS CURIAE
IN SUPPORT OF REVERSAL

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INTEREST OF AMICUS CURIAE¹

Amicus curiae the American College of Bankruptcy was founded in 1989 as an honorary association of bankruptcy and insolvency professionals. Membership is by invitation only. The College's eight hundred fellows include individuals associated with all facets of bankruptcy practice: commercial and consumer bankruptcy attorneys, corporate turnaround advisers, United States Trustees, bankruptcy trustees, investment bankers, insolvency accountants, law professors, judges, government officials, appraisers, and others involved in all aspects of the bankruptcy and insolvency community.

The College has typically avoided intervening in legal and political controversies. It has filed an amicus brief only once before, in *Executive Benefits Insurance Agency v. Arkison*, 134 S. Ct. 2165 (2014). In *Executive Benefits*, this Court was presented with, but ultimately did not resolve, one of the issues presented in this case: whether, and under what circumstances, bankruptcy courts may enter final judgment in “non-core” matters (that is, matters of private right)² with the litigants' consent.

¹ Letters from the parties consenting to the filing of this brief are on file with the Clerk of the Court. No counsel for a party authored this brief in whole or in part, and no person other than amicus curiae, its members, and its counsel made any monetary contribution to the preparation or submission of this brief.

² In this brief, except where otherwise indicated, amicus uses the terms “core” and “non-core” to denote matters as to which a bankruptcy court may and may not, respectively, enter final judgment consistent with the Constitution. See *Executive Benefits*, 134 S. Ct. at 2171 n.7 (“In using the term ‘core’ in the Judiciary Code, Congress intended “a description of those claims that fell within the scope of the historical bankruptcy court’s power.”).

As the College explained in its brief in *Executive Benefits*, bankruptcy courts' ability to enter final judgment in non-core proceedings with the parties' consent is critical to the effective and efficient administration of bankruptcy cases and consistent with longstanding historical practice. A holding that Article III does not permit bankruptcy courts to adjudicate such claims with consent would throw the bankruptcy system into disarray—while also requiring the invalidation of key aspects of the magistrate system and thus undermining the effective administration of litigation more broadly.

As a non-partisan, diverse group of experienced bankruptcy professionals with expertise across all dimensions of bankruptcy and insolvency, the College has a substantial interest in the questions presented and a unique perspective on their proper resolution that differs from that of either of the parties. The College accordingly submits this brief to provide the Court with that perspective.

SUMMARY OF ARGUMENT

This Court granted certiorari in this case to resolve two questions: (1) whether petitioner Wellness International Network's claim against the respondent, debtor Richard Sharif, is a "core" bankruptcy proceeding as to which the bankruptcy court may constitutionally enter final judgment irrespective of the parties' consent; and (2) if not, whether the bankruptcy court could nonetheless constitutionally enter final judgment on that claim *with* the parties' express or implied consent. The court of appeals erred in its analysis of both questions, although not in every instance for the precise reasons Wellness articulates.

Wellness's claim against the debtor is appropriately viewed as a proceeding to determine whether certain property is owned by the debtor and thus properly included in the bankruptcy estate. *See* 11 U.S.C. §541(a). As such, Wellness's claim is at the very heart of the bankruptcy process, in which the bankruptcy court exercises *in rem* jurisdiction over all the property of the estate and adjudicates the competing claims of the debtor and its creditors to that property. *Central Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 369-370 (2006). Put differently, Wellness's claim is part of the "restructuring of debtor-creditor relations, which is at the core of the federal bankruptcy power." *Northern Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 71 (1982) (plurality opinion). Wellness's claim is thus very different from the common-law breach-of-contract suit against a third party at issue in *Marathon*, *see id.* at 71-72, or the common-law tort counterclaim at issue in *Stern v. Marshall*, *see* 131 S. Ct. 2594, 2611-2615 (2011). Indeed, nothing could be more central to the bankruptcy process than the marshaling and distribution of the debtor's assets, at issue here.

The court of appeals wrongly concluded that the bankruptcy court could not constitutionally enter final judgment on Wellness's claim against the debtor. The court did so both because it misapprehended the nature of Wellness's claim and because it wrongly believed that the bankruptcy court's need to apply state law to resolve the claim rendered it non-core. Wellness's claim was asserted against the debtor and sought a declaration that the debtor had a legal or equitable interest in certain property. To be sure, in order to determine whether the debtor has such a property interest, a bankruptcy court must apply state law. But many core bankruptcy matters require the application of state

law. Most notably, the resolution of creditors' claims against the bankruptcy estate—one of the bankruptcy court's primary functions—requires the court to look to the underlying state law that typically governs the merits of those claims. *See* 11 U.S.C. §502(b)(1); *Butner v. United States*, 440 U.S. 48, 55 (1979). Claims-allowance proceedings may nonetheless be finally adjudicated by the bankruptcy court because they are part of the core bankruptcy function of distributing the *res* among competing claimants. So too here.

The Court accordingly need not reach the question of consent in this case. Were the Court to do so, however, it should hold that Article III poses no barrier to a bankruptcy court's entering final judgment in matters of private right with the parties' consent. This Court explained in *Commodity Futures Trading Commission v. Schor*, 478 U.S. 833 (1986), that Article III, §1 serves to protect "primarily personal, rather than structural, interests," and that such personal rights are waivable. *Id.* at 848-849. To be sure, Article III, §1 also protects against encroachment by the political branches on the judicial branch—and arguably against improper delegation by the judicial branch of its own duties—and "the parties cannot by consent cure" such structural flaws. *Id.* at 851. But no such encroachment or improper delegation is present here, given that bankruptcy courts are units of the district court and can adjudicate matters only by reference from the district court that may at any time be withdrawn. Accordingly, the parties may give their consent to entry of final judgment by the bankruptcy court—just as they may to entry of final judgment by a federal magistrate.

Under the Federal Rules of Bankruptcy Procedure, however, such consent may not be implied. Rule 7012(b) plainly states that "[i]n non-core proceedings

final orders and judgments shall not be entered on the bankruptcy judge’s order except with the *express* consent of the parties.” Fed. R. Bankr. P. 7012(b) (emphasis added). *Roell v. Withrow*, 538 U.S. 580 (2003), which interpreted a different statutory scheme and addressed very different facts, provides no basis to rewrite the rule. It is nonetheless possible that a party might forfeit an argument that Rule 7012(b) was violated by failing to raise it in a timely manner on appeal. Amicus takes no position as to how these principles apply to this case.

ARGUMENT

I. CONSTITUTIONAL AND STATUTORY BACKGROUND

Bankruptcy’s central purpose is to identify and marshal the debtor’s assets that become part of the bankruptcy estate and to distribute those assets among creditors. *See, e.g., Central Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 363-364 (2006). By granting the bankruptcy court exclusive *in rem* jurisdiction over the debtor’s property and the authority to adjudicate claims to that property, bankruptcy eliminates the race to the courthouse that would otherwise occur when an insolvent debtor lacks sufficient assets to satisfy all creditors. Bankruptcy courts have historically possessed, and may constitutionally exercise, authority to enter final judgment in matters at the core of this process of assembling the bankruptcy estate and adjudicating competing claims to that estate.

1. The Bankruptcy Act of 1898 divided bankruptcy proceedings into “summary” proceedings, which were generally conducted before non-Article III “referees,” and “plenary” proceedings conducted in Article III (or state) courts. Act of July 1, 1898, ch. 541, §22(a),

30 Stat. 544, 552 (repealed 1979); *see also Northern Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 52-53 (1982) (plurality opinion). “[M]atters within the traditional ‘summary jurisdiction’ of bankruptcy courts” that “could [be] refer[red] ... to specialized bankruptcy referees” “covered claims involving ‘property in the actual or constructive possession of the [bankruptcy] court,’ *i.e.*, claims regarding the apportionment of the existing bankruptcy estate among creditors.” *Executive Benefits Ins. Agency v. Arkison*, 134 S. Ct. 2165, 2170 (2014) (citation omitted). “Proceedings to augment the bankruptcy estate, on the other hand, implicated the district court’s plenary jurisdiction and were not referred to the bankruptcy courts absent both parties’ consent.” *Id.*; *see also MacDonald v. Plymouth County Trust Co.*, 286 U.S. 263, 266-268 (1932).

Katchen v. Landy, 382 U.S. 323 (1966), illustrates the point. In *Katchen*, this Court held that bankruptcy courts could enter final judgment in preference suits—suits to bring back into the estate money preferentially paid to certain creditors during the period just before the bankruptcy—against creditors who had filed claims in the bankruptcy case. *Id.* at 327-328. The Court rejected the creditor’s argument that being required to proceed in bankruptcy court without his consent violated his constitutional rights, explaining that “bankruptcy courts have summary jurisdiction to adjudicate controversies relating to property over which they have actual or constructive possession”—that is, property of the bankruptcy estate. *Id.* at 336. Because the statute required the adjudication of preference claims against creditors before their claims against the estate could be determined, the preference action became part of the claims-allowance process, and thus within the bank-

ruptcy court's authority to determine. *See also Langenkamp v. Culp*, 498 U.S. 42, 45 (1990) (per curiam) (same under Bankruptcy Code).

2. In 1978, Congress "substantially expanded" bankruptcy courts' authority. H.R. Rep. No. 95-595, at 13 (1977). The new Bankruptcy Code abolished the statutory distinction between summary and plenary proceedings and permitted newly constituted bankruptcy courts to hear and determine "all civil proceedings arising under [the Bankruptcy Code] or arising in or related to cases under [it]." 28 U.S.C. §1471(b) (repealed 1984); *Marathon*, 458 U.S. at 54 (plurality opinion). Although the 1978 Code permitted bankruptcy courts to enter final judgment in any proceeding within federal bankruptcy jurisdiction, bankruptcy judges were not given the Article III protections of lifetime tenure and undiminished compensation.

3. In *Marathon*, this Court held that broad grant of power to a non-Article III court unconstitutional. 458 U.S. at 87 (plurality opinion); *id.* at 91 (Rehnquist, J., concurring in judgment). *Marathon* involved a state-law breach-of-contract action brought by a debtor against a third-party non-creditor. The plurality concluded that such an action was a matter of "private right," rather than "public right," and thus could not constitutionally be decided by a non-Article III tribunal absent the parties' consent. While the "divided Court" was unable to agree on the precise scope of Article III's limitations, a majority of the Court held that "Congress may not vest in a non-Article III court the power to adjudicate, render final judgment, and issue binding orders in a traditional contract action arising under state law, without consent of the litigants, and subject only to ordinary appellate review." *Thomas v. Union Carbide*

Agric. Prods. Co., 473 U.S. 568, 584 (1985) (citing *Marathon*, 458 U.S. at 84).

At the same time, the Court made clear that its holding did not require that all bankruptcy proceedings be adjudicated by Article III courts. The plurality explained that “the restructuring of debtor-creditor relations, which is at the core of the federal bankruptcy power,” “may well be a ‘public right’” that Congress could remit to a non-Article III tribunal for decision. *Marathon*, 458 U.S. at 71. And it emphasized that such proceedings “must be distinguished from the adjudication of state-created private rights, such as the right to recover contract damages” at issue in *Marathon*, which served merely “to augment [the debtor’s] estate” and which the debtor could assert “[e]ven in the absence of the federal scheme.” *Id.* at 71, 72 n.26. The concurring Justices agreed that “[n]one of the [Court’s] cases has gone so far as to sanction the type of adjudication to which *Marathon* will be subjected,” but similarly recognized that “different powers granted under [the Bankruptcy] Act [of 1978] might be sustained under the ‘public rights’ doctrine.” *Id.* at 91.

4. In response to *Marathon*, Congress passed the Bankruptcy Amendments and Federal Judgeship Act of 1984, Pub. L. No. 98-353, 98 Stat. 333. While rejecting proposals to establish an Article III bankruptcy court, Congress sought to satisfy this Court’s instruction that “‘the essential attributes’ of the judicial power” be retained in the Article III court. *Marathon*, 458 U.S. at 87 (plurality opinion). Accordingly, while the 1984 Act did not alter the scope of bankruptcy jurisdiction set out in the 1978 Code, it replaced the independent bankruptcy court established in the 1978 Code with an entity that would be a “unit” of the district courts and would hear bankruptcy proceedings only by refer-

ral from the district courts. 28 U.S.C. §151. Specifically, district courts “may provide that any or all cases under [the Bankruptcy Code] and any or all proceedings arising under [the Bankruptcy Code] or arising in or related to a case under [the Code] shall be referred to the bankruptcy judges for the district.” *Id.* §157(a). Moreover, “[t]he district court may withdraw, in whole or in part, any case or proceeding referred [to the bankruptcy court], on its own motion or on timely motion of any party, for cause shown.” *Id.* §157(d).³

In addition, the 1984 Act drew a distinction—at the heart of the statute’s scheme for constitutionally allocating authority between district and bankruptcy courts—between “core” and “non-core” bankruptcy proceedings. “In using the term ‘core,’ Congress tracked the *Northern Pipeline* plurality’s use of the same term as a description of those claims that fell within the scope of the historical bankruptcy court’s power.” *Executive Benefits*, 134 S. Ct. at 2171 n.7. The Act accordingly authorized bankruptcy courts to “hear and determine ... all core proceedings arising under [the Bankruptcy Code], or arising in a case under [the Bankruptcy Code]” and to “enter appropriate orders and judgments” in such proceedings, subject only to ordinary appellate review. 28 U.S.C. §157(b)(1). By contrast, “[n]on-core proceedings ... concern aspects of the bankruptcy case that *Marathon* barred non-Article III judges from determining on their own.” *In re Arnold Print Works, Inc.*, 815 F.2d 165, 167 (1st Cir. 1987)

³ Withdrawal of a proceeding from the bankruptcy court is mandatory “if the [district] court determines that resolution of the proceeding requires consideration of both [the Bankruptcy Code] and other laws of the United States regulating organizations or activities affecting interstate commerce.” 28 U.S.C. §157(d).

(Breyer, J.). Absent the parties' consent, *see* 28 U.S.C. §157(c)(2), in non-core proceedings bankruptcy courts may only enter proposed findings of fact and conclusions of law, subject to de novo review by the district court, *id.* §157(c)(1).

5. In *Stern*, this Court held that Congress's efforts in Section 157 to remedy the constitutional flaw identified in *Marathon* had failed "in one isolated respect." 131 S. Ct. at 2620. In the 1984 Act, Congress enumerated certain examples of core proceedings—proceedings that it believed the bankruptcy courts could constitutionally hear and determine without the parties' consent. 28 U.S.C. §157(b)(2). It included in the list of core proceedings "counterclaims by the estate against persons filing claims against the estate." *Id.* §157(b)(2)(C).

This Court held that, as applied to the counterclaim at issue in *Stern*—a state-law tort claim by the debtor against a creditor "that is not resolved in the process of ruling on a creditor's proof of claim"—§157(b)(2)(C) was unconstitutional. *Stern*, 131 S. Ct. at 2620. As in *Marathon*, the debtor's counterclaim was a cause of action derived from state common law and was related to her bankruptcy case only because, if she were to prevail, it would increase the estate's assets. *Id.* at 2614-2615.

As in *Marathon*, however, this Court made clear that its "narrow" ruling did not call into question bankruptcy courts' constitutional authority to enter final judgments in matters that are integral to the core restructuring process. *Stern*, 131 S. Ct. at 2617, 2620. To the contrary, the Court distinguished, and implicitly reaffirmed, its prior decisions in *Katchen* and *Langenkamp* holding that a bankruptcy court could determine a preference claim by the estate against a cred-

itor that had filed a proof of claim. *See id.* at 2616-2617; *see also Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33 (1989) (holding that there is no jury-trial right, and hence no obstacle to proceeding in a non-Article III tribunal, in a fraudulent-transfer action against a creditor that has filed a claim against the estate, but that the same is not true in an action against a party that has not filed a claim).

* * *

In sum, this Court’s precedent has distinguished between traditional “common law ... claims brought by a [debtor] to augment the bankruptcy estate”—like the contract claim in *Marathon*, the fraudulent-transfer claim in *Granfinanciera*, and the tort claim in *Stern*—and “actions ... that seek ‘a pro rata share of the bankruptcy res,’” like those in *Langenkamp* and *Katchen*. *Stern*, 131 S. Ct. at 2614, 2618. “Congress may not bypass Article III simply because a proceeding may have *some* bearing on a bankruptcy case.” *Id.* at 2618. Rather, the “question is whether the action at issue stems from the bankruptcy itself or would necessarily be resolved in the claims allowance process.” *Id.* In those circumstances, there is no constitutional obstacle to the bankruptcy court’s entering final judgment even absent the parties’ consent.

II. A BANKRUPTCY COURT MAY CONSTITUTIONALLY ENTER FINAL JUDGMENT ON THE CLAIM AT ISSUE HERE EVEN WITHOUT THE PARTIES’ CONSENT

In this case, a federal district court entered a money judgment in favor of petitioner Wellness against respondent Sharif. Pet. App. 2a. Sharif then filed for chapter 7 bankruptcy. *Id.* Wellness filed an adversary proceeding against Sharif, individually and as trustee of the “Soad Watter Trust.” JA5-22. Counts I-IV of the

adversary complaint objected to the discharge of the debt arising from the judgment against Sharif. JA13-19. Count V sought a declaration that assets Sharif had represented to the bankruptcy court were held by the “Soad Watter Trust” were in fact Sharif’s own assets, that is, that “the Soad Watter Living Trust is the alter ego of Debtor.” JA19-21. The bankruptcy court ordered Sharif to respond to Wellness’s discovery requests. Pet. App. 2a. When Sharif failed to do so, the bankruptcy court entered default judgment in favor of Wellness. *Id.* On appeal, the district court affirmed. *Id.* 3a.

The court of appeals concluded that Wellness’s declaratory judgment claim against Sharif “is indistinguishable from the tortious-interference counterclaim in *Stern*” or “the contract claim in *Northern Pipeline*.” Pet. App. 48a. The court reasoned that “[t]he dispute is between private parties,” “[i]t stems from state law rather than a federal regulatory scheme,” and “it is intended only to augment the bankruptcy estate.” *Id.* The better interpretation of Wellness’s claim, however, is that it sought not to augment the bankruptcy estate but to ascertain and marshal the estate’s existing assets for distribution to creditors—the core function of the bankruptcy process. For the reasons set out below, such a claim “stems from the bankruptcy itself,” *Stern*, 131 S. Ct. at 2618, and is within the bankruptcy court’s power to adjudicate regardless of the parties’ consent.

A. Proceedings To Determine Whether Property Is Part Of The Bankruptcy Estate Are Core Bankruptcy Proceedings That May Be Finally Decided By The Bankruptcy Court

Like claims-allowance proceedings, proceedings to determine whether certain property is part of the

bankruptcy estate are “integral to the restructuring of the debtor-creditor relationship,” *Stern*, 131 S. Ct. at 2617, and thus matters that bankruptcy courts may constitutionally hear and determine.

The Bankruptcy Code provides that the commencement of a bankruptcy case “creates an estate” that includes (with certain exceptions) “all legal or equitable interests of the debtor in property,” “wherever located and by whomever held.” 11 U.S.C. §541(a). A bankruptcy filing also creates an automatic stay barring creditors from pursuing claims against that property or against the debtor, so that the estate may be protected, and its value preserved, for the benefit of all creditors. *Id.* §362(a), (c). Absent relief from the automatic stay, creditors’ recourse is thus limited to the bankruptcy estate. Creditors may file proofs of claim against the estate, *id.* §501, which are allowed or disallowed by the bankruptcy court, *id.* §502. Following satisfaction of any secured or priority claims, estate property is then distributed ratably among creditors having allowed claims. *Id.* §§725, 726, 1123, 1129. At the conclusion of the bankruptcy process, the debtor may (again, with certain exceptions) obtain a discharge of pre-bankruptcy debts, *id.* §§727(a)(2), 1141(d), which permanently enjoins creditors from collecting those debts from the debtor, *id.* §524(a).

Delineating and marshaling the bankruptcy estate are thus fundamental to the core bankruptcy process of restructuring debtor-creditor relations. “Critical features of every bankruptcy proceeding are the exercise of exclusive jurisdiction over all of the debtor’s property, the equitable distribution of that property among the debtor’s creditors, and the ultimate discharge that gives the debtor a ‘fresh start’ by releasing him, her, or it from further liability for old debts.” *Katz*, 546 U.S. at

363-364. Indeed, “[b]ankruptcy jurisdiction, as understood today and at the time of the [Constitution’s] framing, is principally *in rem* jurisdiction” “premiered on the debtor and his estate.” *Id.* at 369, 370; *see also Straton v. New*, 283 U.S. 318, 320-321 (1931) (“The purpose of the Bankruptcy Act ... is to place the property of the bankrupt, wherever found, under the control of the court, for equal distribution among the creditors.”).

Determining whether property is part of the estate is thus well within the constitutional authority of bankruptcy courts to decide by final order. A proceeding to determine whether property belongs to the debtor—and hence to his or her bankruptcy estate—unquestionably “stems from the bankruptcy itself.” *Stern*, 131 S. Ct. at 2618. It is a proceeding “derived from ... bankruptcy law”—§541 of the Bankruptcy Code—that does not “exist[] [outside of] any bankruptcy proceeding.” *Id.* Moreover, determining what property is included in the estate is integral to the “claims allowance process.” *Id.* The ultimate aim of the claims-allowance process, after all, is to distribute the estate to the debtor’s creditors, as allocated in accordance with their respective claims.

Bankruptcy courts’ constitutional authority to adjudicate the claims-allowance process, repeatedly recognized by this Court, is thus merely one aspect of the broader overall authority that bankruptcy courts have traditionally exercised over the bankruptcy estate. As *Katchen* explained, “[t]he whole process of proof, allowance, and distribution is, shortly speaking, an adjudication of interests claimed in a *res*,’ and thus falls within the principle ... that bankruptcy courts have summary jurisdiction to adjudicate controversies relating to property within their possession.” 382 U.S. at 329-330 (citation omitted); *see also Granfinanciera*, 492

U.S. at 57 (*Katchen* “turned ... on the bankruptcy court’s having ‘actual or constructive possession’ of the bankruptcy estate, and its power and obligation to consider objections by the trustee in deciding whether to allow claims against the estate” (citation omitted)).

Indeed, adjudication of interests in the bankruptcy estate has historically been handled in summary proceedings by non-Article III courts. At the time of the Constitution’s framing, English bankruptcy law was a matter of statute, not the common law. Plank, *Why Bankruptcy Judges Need Not and Should Not Be Article III Judges*, 72 Am. Bankr. L.J. 567, 575-576, 590 (1998). Pursuant to the English bankruptcy statutes, bankruptcy matters were generally adjudicated by non-judicial commissioners, unless a party to the bankruptcy proceeding sought review in a court of law or equity. *Id.* at 573-578 & n.57. The commissioners determined most issues arising in the bankruptcy proceeding, including those involving property of the estate, the allowance of creditors’ claims, the pro rata distribution of the estate among creditors, and the discharge of the debtor’s debts. *Id.* at 573, 575-599. This summary bankruptcy procedure, conducted primarily outside the more formal judicial process of the law and equity courts, facilitated the quick and inexpensive adjustment of the relationship between an insolvent debtor and his creditors. *Id.* at 574, 596.

The first U.S. bankruptcy law, the Bankruptcy Act of 1800, “was in many respects a copy of the English bankruptcy statute then in force. ... Like the English statute, [it] permitted bankruptcy commissioners, on appointment by a federal district court, ... to seize and collect the debtor’s assets; to examine the debtor and any individuals who might have possession of the debtor’s property; and to issue a ‘certificate of discharge’

once the estate had been distributed.” *Katz*, 546 U.S. at 373-374 (citations omitted). The Act gave non-Article III bankruptcy commissioners broad authority over the debtor’s bankruptcy proceedings and the estate, including the power to “take into their possession, all the estate, real and personal, of every nature and description to which the said bankrupt may be entitled, either in law or equity,” Act of April 4, 1800, ch. 19, § 5, 2 Stat. 19, 23; to “admit the creditors of such bankrupt to prove their debts,” *id.* §6, 2 Stat. at 23; and to “order ... said bankrupt’s estate ... to be ... divided among such of the bankrupt’s creditors as have duly proved their debts under such commission,” *id.* §29, 2 Stat. at 29.

As discussed above, the Bankruptcy Act of 1898 likewise granted non-Article III bankruptcy referees summary jurisdiction to determine what property was part of the estate. In *Mueller v. Nugent*, 184 U.S. 1 (1902), for instance, this Court held that a bankruptcy referee had the power to determine whether property held by a third party was “the property of the bankrupt ... and ... part of [the bankruptcy] estate,” and to order its turnover. *Id.* at 4, 12-15.

Of particular relevance here, bankruptcy referees could enter final orders determining that property held by the debtor’s alter ego belonged to the debtor and its estate. For example, in *Sampsell v. Imperial Paper & Color Corp.*, 313 U.S. 215 (1941), this Court held that a bankruptcy referee had “jurisdiction ... by summary proceedings” to enter “a final order” determining that “the property of the [debtor’s] corporation was property of the bankrupt estate,” and hence that the referee’s order could not be collaterally attacked by a creditor of the corporation seeking priority against the corporate assets. *Id.* at 217-219. The referee in *Sampsell* determined that the property nominally held by the corpora-

tion was property of the estate because it found “the corporation[] to be the alter ego of the bankrupt,” *Imperial Paper & Color Corp. v. Sampsell*, 114 F.2d 49, 52 (9th Cir. 1940), and “nothing but a sham and a cloak’ devised by [the debtor] ‘for the purpose of preserving and conserving his assets’ for the benefit of himself and his family” and “hindering, delaying and defrauding his creditors,” 313 U.S. at 217. *See also e.g., In re Eufaula Enters., Inc.*, 565 F.2d 1157, 1160-1161 (10th Cir. 1977) (holding that “the referee in bankruptcy properly exercised summary jurisdiction in requiring the state-appointed receiver to turn over [a trust’s] assets to the trustee of [the debtor]” where it found that “[the trust] was an instrumentality or alter ego of [the debtor]”).

Courts have likewise held under the current Bankruptcy Code that bankruptcy courts may, consistent with Article III, enter final judgments determining whether property—including property purportedly owned by the debtor’s alter ego—is part of the debtor’s bankruptcy estate. *See, e.g., In re Johnson*, 960 F.2d 396, 400-402 & n.3 (4th Cir. 1992) (bankruptcy court could enter final judgment determining what portion of debtor’s property was held in constructive trust for investors as matter “intimately tied to the traditional bankruptcy functions and estate”); *In re Gladstone*, 513 B.R. 149, 156-159 (Bankr. S.D. Fla. 2014) (bankruptcy court could finally determine action to declare that property held by debtor’s alter-ego corporations “are actually assets of the Debtor” and “accordingly property of the estate under 11 U.S.C. §541”; the action “stems from the bankruptcy itself” because “determin[ing] what is and is not property of the estate” is “a decision central to the mission of the bankruptcy court”).

B. The Court of Appeals Misapprehended The Nature of Wellness's Claim

The court of appeals nonetheless held that the bankruptcy court lacked constitutional authority to enter final judgment on what it called Wellness's "alter ego" claim against the debtor, deeming that claim "indistinguishable" from the contract and tort claims in *Marathon* and *Stern*. Pet. App. 48a. The court of appeals' characterization of Wellness's claim, however, misapprehended the nature of the proceeding before the bankruptcy court. The better reading of Wellness's claim is that it merely sought a declaratory judgment that property the debtor claimed he held in trust for another was, in reality, his own property, and hence property of the debtor's bankruptcy estate under the Bankruptcy Code. As discussed above, the bankruptcy court could constitutionally decide that question.

The court of appeals may have been led astray by the term "alter ego," which has been applied to two different types of claims. See *Gladstone*, 513 B.R. at 156-159. An "alter ego" claim may refer to a claim seeking to hold a third party liable for a debt the debtor owes to a creditor. Such a claim may seek, for instance, to "pierce the corporate veil," based on the injustice to the creditor of maintaining the separateness of the third party's assets from the debtor's assets. See, e.g., *International Fin. Servs. Corp. v. Chromas Techs. Can., Inc.*, 356 F.3d 731, 734, 736-737, 740 (7th Cir. 2004) (remanding to district court to hold sister corporation liable for debt owed to creditor of debtor corporation if court found sister corporation to be debtor's alter ego).

That kind of "alter ego" claim against a third party, seeking to hold that party liable for the debtor's debts, may well be a matter that, absent the parties' consent,

requires adjudication by an Article III court. Such a claim would resemble a fraudulent-transfer suit against a non-creditor: It would arise under the common law between private parties and would seek to augment the bankruptcy estate rather than to identify and marshal the existing assets in the estate. *See Stern*, 131 S. Ct. at 2618; *Granfinanciera*, 492 U.S. at 55-56.

The claim Wellness asserted here, however, is better understood as the second kind of “alter ego” claim—that is, a claim that a nominal third party has no substantive existence separate from the debtor, and that property purportedly held by the third party is, therefore, the debtor’s own property. *See Gladstone*, 513 B.R. at 157-159. Because this kind of “alter ego” claim asserts that the nominal third parties “are not truly separate entities” and “have no purpose other than to hide assets held entirely for the Debtor’s benefit,” the “gravamen of the complaint is ... that all assets held in the names of the various [third parties] are actually assets of the Debtor,” and thus “‘interests of the debtor in property’ [under] §541(a)(1).” *Id.* at 159. A suit against the debtor to determine what property the debtor owns for purposes of delineating the estate under §541 of the Bankruptcy Code—quite unlike a suit against a third party seeking to bring the third party’s assets into the estate on a common-law theory of liability—is integral to the restructuring of debtor-creditor relations and may be determined by the bankruptcy court.

While Wellness’s complaint did not expressly invoke §541, that is the substantive relief it sought: a declaratory judgment “as to the Debtor’s ownership interest in property purportedly held in the name of the [trust].” JA19. Wellness alleged that the “Debtor has continuously concealed property that he admitted ... he owned by claiming that such property is currently

owned by the [trust]”; that “[t]o the extent that the [trust] exists,” it was “a mere tool or business conduit of Debtor,” that “Debtor ... exercises complete control over the trust and its assets,” and “that the separateness of Debtor and the [trust] ... has ceased”; and that Wellness was therefore “entitled to a declaratory judgment that the [trust] is the alter ego of the Debtor and that all assets of the trust should be treated as part of Debtor’s estate.” JA35, 36, 44.

The court of appeals was thus wrong to conclude that Wellness’s claim was a “state-law claim ... wholly independent of federal bankruptcy law.” Pet. App. 51a. An action to determine the property of the estate under §541 is an action “derived from [and] dependent upon [federal] bankruptcy law.” *Stern*, 131 S. Ct. at 2618. That state law might play a role in the analysis of the claim is irrelevant. Indeed, “the basic federal rule in bankruptcy is that state law governs the substance of claims, Congress having generally left the determination of property rights in the assets of a bankrupt’s estate to state law.” *Travelers Cas. & Sur. Co. of Am. v. Pacific Gas & Elec. Co.*, 549 U.S. 443, 450-451 (2007) (internal quotation marks omitted). In the claims-allowance process, for example, the bankruptcy court will typically look to state law to determine a claim’s validity. See 11 U.S.C. §502(b)(1) (providing for disallowance of claims that are “unenforceable ... under any agreement or applicable law”); *Butner v. United States*, 440 U.S. 48, 55 (1979) (noting that property interests in bankruptcy are typically created and defined by state law). But the claims-allowance procedure is nonetheless one that “stems from the bankruptcy itself” for Article III purposes. The same is true here.

III. BANKRUPTCY COURTS MAY “HEAR AND DETERMINE” NON-CORE CLAIMS WITH THE CONSENT OF THE PARTIES

Because the bankruptcy court could constitutionally enter final judgment on Wellness’s claim, this Court need not reach the question of consent. Were the Court to disagree and reach that question, however, it should hold that a bankruptcy court may constitutionally hear and determine non-core matters that would otherwise require an Article III tribunal with the consent of the parties. That conclusion is most consistent with this Court’s Article III jurisprudence, which holds that absent meaningful encroachment on or diminution of the prerogatives of the judicial branch, the parties’ consent to non-Article III resolution of a private-right dispute does not offend the separation of powers.

Under the Federal Rules of Bankruptcy Procedure, however, consent to bankruptcy court adjudication of a non-core matter must be “express.” Fed. R. Bankr. P. 7012(b). There is no reason for this Court to hold that the rule means anything other than what it says.

A. Litigants May Consent To A Bankruptcy Court’s Entry Of Final Judgment On Matters Of Private Right

A bankruptcy court’s adjudication of private-right controversies with the litigants’ consent, as Congress authorized in §157(c)(2) of the Judiciary Code, does not offend Article III.

1. In *Commodity Futures Trading Commission v. Schor*, 478 U.S. 833 (1986), this Court explained that Article III, §1 serves to protect “primarily personal, rather than structural, interests.” *Id.* at 848. “[A]s a personal right, Article III’s guarantee of an impartial

and independent federal adjudication is subject to waiver, just as are other personal constitutional rights.” *Id.*

To be sure, Article III, §1 also plays a structural role, “safeguard[ing] the role of the Judicial Branch in our tripartite system by barring congressional attempts ... [to] ‘emasculat[e]’ constitutional courts, and thereby preventing ‘the encroachment or aggrandizement of one branch at the expense of the other.’” *Schor*, 478 U.S. at 850 (citation omitted). It may also restrain the judicial branch from abdicating its own core constitutional duties. *See, e.g., Peretz v. United States*, 501 U.S. 923, 955-956 (1991) (Scalia, J., dissenting). “To the extent that this structural principle is implicated in a given case, the parties cannot by consent cure the constitutional difficulty[.]” *Schor*, 478 U.S. at 850-851. The question, therefore, is whether a particular grant of authority to a non-Article III tribunal creates such a significant incursion on the judicial branch, or abdication of that branch’s authority, that it cannot constitutionally be tolerated even if the litigants consent.

This Court has never previously identified such a case. When it has struck down a grant of power to a non-Article III tribunal, it has always been in cases in which litigants had no option to proceed before a constitutional court. In *Marathon*, for example, this Court’s holding was that “Congress may not vest in a non-Article III court the power to adjudicate, render a final judgment, and issue binding orders in a traditional contract action arising under state law, *without consent of the litigants*, and subject only to ordinary appellate review.” *Thomas*, 473 U.S. at 584 (emphasis added). *Stern*, too, struck down §157(b)(2)(C) as applied in that case, and distinguished *Schor*, in part because the objecting creditor “did not truly consent to resolution of

[the debtor's] claim in the bankruptcy court proceedings." 131 S. Ct. at 2614.

Similarly, consent has long been the lynchpin of the magistrate system, whose constitutionality has not been impugned by this Court. *Compare Gomez v. United States*, 490 U.S. 858, 872 (1989) (holding, on constitutional avoidance grounds, that Congress "did not contemplate inclusion of jury selection in felony trials among a magistrate's additional duties" where the defendant did not consent), *with Peretz*, 501 U.S. at 932 (holding that a magistrate may constitutionally exercise that duty where the defendant did consent). "[T]he litigant's consent makes the crucial difference." *Peretz*, 501 U.S. at 933. As a personal right, the defendant's right to have an Article III judge preside over voir dire is waivable. *Id.* at 936-937. Moreover, a magistrate's presiding over jury selection with the defendant's consent does not offend the "structural protections provided by Article III" because "[m]agistrates are appointed and subject to removal by Article III judges"; "[t]he 'ultimate decision' whether to invoke the magistrate's assistance is made by the district court, subject to veto by the parties"; and "the entire process takes place under the district court's total control and jurisdiction." *Id.*⁴

⁴ Indeed, this Court has long approved similar practices in an array of contexts. *See Kimberly v. Arms*, 129 U.S. 512, 524 (1889) (approving practice in chancery courts in which "the parties consent to the reference of a case to a master or other officer to hear and decide all the issues therein, and report his findings, both of fact and of law" and concluding that decision of master had same effect as final judgment from federal court); *Newcomb v. Wood*, 97 U.S. 581, 583 (1878) ("The power of a court of justice, with the consent of the parties, to appoint arbitrators and refer a case pending before it, is incident to all judicial administration, where the right

The same is true here. The 1984 Act did not “transfer jurisdiction [to non-Article III tribunals] for the purpose of emasculating’ constitutional courts.” *Schor*, 478 U.S. at 850. To the contrary, the Act carefully and deliberately ensured that Article III district courts would exercise a full measure of control over bankruptcy proceedings. *Cf. id.* at 857 (examining the “congressional plan at issue and its practical consequences” before upholding the grant of authority). Bankruptcy courts are “unit[s]” of the district courts, 28 U.S.C. §151, and bankruptcy judges are appointed—and may be removed—by Article III judges, *id.* §152(a), (e). The district courts enjoy extensive supervisory authority over the administration of bankruptcy proceedings: Bankruptcy courts hear no matter unless the district court has made an appropriate reference, *id.* §157(a); the district court may withdraw that reference for cause at any time, *id.* §157(d); and the district court *must* withdraw the reference of any proceeding that requires meaningful interpretation of a federal statute (other than the Bankruptcy Code) affecting interstate commerce, *id.* And, of course, all bankruptcy court judgments are reviewable by Article III courts. *Id.* §158. While these provisions are inadequate to render constitutional bankruptcy courts’ *nonconsensual* entry of final judgment in non-core proceedings, *see*

exists to ascertain the facts as well as to pronounce the law. *Conventio facit legem*. In such an agreement there is nothing contrary to law or public policy.”); *Heckers v. Fowler*, 69 U.S. (2 Wall.) 123, 127, 131 (1865) (upholding referrals of civil matters for adjudication by non-Article III entities where “the parties agreed in writing to refer the cause to a referee ‘to hear and determine the same and all the issues therein, with the same powers as the court’” and noting that the “[p]ractice of referring pending actions under a rule of court, by consent of parties, was well known at common law”).

Stern, 131 S. Ct. at 2619, they demonstrate that the 1984 Act does not strip the judicial power of the United States from constitutional courts in a way that raises concerns consent cannot address.

Like bankruptcy courts, magistrates enter final judgments with the consent of the litigants in proceedings that would otherwise be the exclusive province of Article III courts, and have long done so without constitutional controversy. See 28 U.S.C. §636(c)(1); *Pacemaker Diagnostic Clinic of Am., Inc. v. Instromedix, Inc.*, 725 F.2d 537, 547 (9th Cir. 1984) (en banc) (“We hold that consensual reference of a civil case to a magistrate is constitutional[.]”). The constitutionality of a magistrate judge’s authority under §636(c)(1) to enter final judgment with the parties’ consent has been upheld by every court of appeals to address the issue. See American Bar Association, *Resolution 109*, at 5 & n.23 (Feb. 11, 2013) (collecting cases); see also *id.* at 10 (resolving that “bankruptcy judges may constitutionally enter final orders and judgments in *Stern*-type proceedings upon the consent of the parties”). There can thus be no argument that the magistrate system has a more robust consent requirement or differs in any way meaningful to the constitutional analysis.

Accordingly, were this Court to determine that the bankruptcy court may not constitutionally enter final judgment on matters of private right even with the parties’ consent, that ruling would logically require the invalidation not only of §157(c)(2), but the magistrate system as well. Such a result would contradict this Court’s assurance that its holding in *Stern* “does not change all that much,” 131 S. Ct. at 2620, and would work nothing short of a revolution in the federal courts. It should be rejected.

2. Notably, the court of appeals did not hold that §157(c)(2) was unconstitutional. Pet. App. 43a-44a. Instead, the court expressly limited its holding to “*Stern* objection[s],” *id.* 42a, 44a—that is, objections to the bankruptcy court’s entry of final judgment on a claim that Congress had mistakenly designated as “core” but that in fact could not constitutionally be determined by a non-Article III tribunal. The court held only that a litigant could not waive such an objection (or, presumably, consent to the bankruptcy court’s adjudication of such a claim). *Id.* 44a.

The court expressly distinguished non-core claims that Congress did not mistakenly classify as core, strongly suggesting that §157(c)(2)’s provision for bankruptcy court adjudication of such claims with the parties’ consent *is* constitutional:

Section 157(c)(2) permits a bankruptcy judge to enter final judgment in a noncore proceeding, but only if the parties consent and the district court decides to refer the matter to the bankruptcy court. Thus, a strong argument can be made that with respect to noncore proceedings Congress has left the essential attributes of judicial power to Article III courts, and so the structural interests at issue with regard to [matters mistakenly designated as] core proceedings are not present under the current statutory scheme applicable to noncore proceedings, thereby allowing room for notions of waiver and consent.

Pet. App. 43a. In support, the court cited this Court’s decisions in *Peretz* and *United States v. Raddatz*, 447 U.S. 667 (1980), finding no Article III barrier to the op-

eration of certain aspects of the magistrate system. *Id.* 43a-44a.

The court of appeals' distinction between "*Stern*" claims and other "non-core" claims permitted it to avoid the question whether §157(c)(2) and §636(c)(1) (permitting magistrates to enter final judgment with the parties' consent) are constitutional under its analysis. The distinction, however, makes no sense. As this Court made clear last Term in *Executive Benefits*, *Stern* claims are no different from any other non-core claims. The Court recognized that the "core" and "non-core" categories represented Congress's attempt to delineate the proceedings over which bankruptcy courts could constitutionally enter final judgment absent the parties' consent. *Executive Benefits*, 134 S. Ct. at 2171 & n.7. Applying severability principles, the Court held that *Stern* claims mistakenly categorized as "core" under §157(b) may "proceed as non-core within the meaning of §157(c)." *Id.* at 2173. Accordingly, the same provisions for consent and the same structural safeguards apply to *Stern* claims as to other non-core claims. For the reasons above, bankruptcy courts may enter final judgment with the parties' consent as to both kinds of claims. Regardless of the Court's answer to the question of consent, however, the two kinds of claims must rise and fall together—along with the analogous provisions in the magistrate system.

B. Under The Bankruptcy Rules, A Litigant's Consent Must Be Express

Although a litigant may consent to having a bankruptcy court adjudicate a matter of private right, the

Federal Rules of Bankruptcy Procedure require such consent to be express.⁵

Consent to having a non-Article III judge enter final judgment in a private-right dispute is no small thing. It is a relinquishment of the right to have an Article III judge preside over a critical—indeed, determinative—stage of the proceedings. As with respect to federal magistrates, consent is “[a] critical limitation” on the bankruptcy court’s “expanded” authority. *Gomez*, 490 U.S. at 870.

Congress accordingly required that “the consent of all parties to the proceeding” be obtained before a bankruptcy court may enter final judgment in a non-core proceeding. 28 U.S.C. §157(c)(2). And the Bankruptcy Rules provide, in clear and unambiguous terms, that “[i]n non-core proceedings final orders and judgments shall not be entered on the bankruptcy judge’s order *except with the express consent of the parties.*” Fed. R. Bankr. P. 7012(b) (emphasis added); *see also id.* R. 7012 advisory committee’s note (1987) (“A final order of judgment may not be entered in a non-core proceeding heard by a bankruptcy judge unless all parties *expressly* consent.” (emphasis added)).

The rules further require parties to state in the complaint and responsive pleading whether the action is core or non-core and, if non-core, whether the party consents to entry of final orders or judgment by the bankruptcy judge.⁶ And the rules make clear that

⁵ That is not to say that the *Constitution* requires that consent be express—a question this Court need not reach and which amicus does not address.

⁶ *See* Fed. R. Bankr. P. 7008(a) (complaints filed in adversary proceedings “shall contain a statement that the proceeding is core or non-core and, if non-core, that the pleader does or does not con-

“[f]ailure to include the statement of consent does not constitute consent. Only *express consent* in the pleadings or otherwise is effective to authorize entry of a final order or judgment by the bankruptcy judge in a non-core proceeding.” Fed. R. Bankr. P. 7008 advisory committee’s note (1987) (emphasis added).

As this Court has observed, these rules are not mere suggestions—they are commands. See *Kontrick v. Ryan*, 540 U.S. 443 (2004) (Federal Rules of Bankruptcy Procedure are mandatory); see also *Bank of Nova Scotia v. United States*, 487 U.S. 250, 255 (1988) (“[I]n every pertinent respect, [a Federal Rule of Criminal Procedure is] as binding as any statute duly enacted by Congress, and federal courts have no more discretion to disregard the Rule’s mandate than they do to disregard constitutional or statutory provisions.”). Accordingly, only express consent is sufficient to authorize entry of final judgment by the bankruptcy court in non-core matters—as courts have held both before and after *Stern*. See, e.g., *In re Sheridan*, 362 F.3d 96, 100-101 (1st Cir. 2004); *In re Yochum*, 89 F.3d 661, 667 (9th Cir. 1996); *In re Brickell Inv. Corp.*, 922 F.2d 696, 701-702 (11th Cir. 1991); *Home Ins. Co. v. Cooper & Cooper, Ltd.*, 889 F.2d 746, 749 (7th Cir. 1989).⁷

sent to entry of final orders or judgment by the bankruptcy judge”); *id.* R. 7012(b) (responsive pleadings filed in adversary proceedings “shall admit or deny an allegation that the proceeding is core or non-core. If the response is that the proceeding is non-core, it shall include a statement that the party does or does not consent to entry of final orders or judgment by the bankruptcy judge”).

⁷ See also *In re Lyondell Chem. Co.*, 467 B.R. 712, 722 (S.D.N.Y. 2012) (in light of Rule 7012(b), “mere implied consent appears to be insufficient”); *In re Madison Bentley Assocs.*, 474 B.R. 430, 436 (S.D.N.Y. 2012); *In re New York Skyline, Inc.*, 512

Nor does *Roell v. Withrow*, 538 U.S. 580 (2003), warrant a different result. *Roell* held—as a matter of statutory construction—that implied consent may satisfy §636(c)(1), a conclusion it reached only after determining that implied consent was consistent with “the text and structure of [§636] as a whole,” and that an express consent rule would “frustrate the plain objective of Congress to alleviate the increasing congestion of litigation in the district courts.” *Id.* at 587, 590-591. The Court cautioned, however, that consent should be implied only in limited, exceptional circumstances. *Id.* at 591 n.7 (“[D]istrict courts remain bound by the procedural requirements of §636(c)(2) and Federal Rule of Civil Procedure 73(b).”). *Roell* did not address or interpret the bankruptcy rules, and it simply is not possible to read those rules to permit implied consent.

The facts of *Roell* are also instructive. The party raising the constitutional challenge (Withrow) *expressly* consented to adjudication by the magistrate and then waited until after he had lost at trial to argue that the magistrate lacked the authority to enter a final judgment because opposing counsel had not done the same. *Roell*, 538 U.S. at 582-583. The Court understandably determined that Article III’s protections could not be wielded by a *consenting* party as a tactical maneuver. *Id.* at 590 (“Withrow ... received the protection intended by the statute[.]”). The Court had no opportunity to address a situation in which the complaining party has not expressly consented to adjudication by a non-Article III court.

B.R. 159, 177 (S.D.N.Y. 2014); *Kramer v. Mahia*, 2013 WL 1629254, at *4 (E.D.N.Y. Apr. 15, 2013); *Pryor v. Tromba*, 2014 WL 1355623, at *6 (E.D.N.Y. Apr. 7, 2014).

Adhering to the plain language of the bankruptcy rules ensures that the parties and the bankruptcy court are on notice of whether the bankruptcy court may enter final judgment from the outset of the proceeding. If a party fails to comply with the rules' requirement that it indicate in its initial pleading whether it consents to have the bankruptcy court "hear and determine" the matter, the other party may seek to enforce the rule in the bankruptcy court and demand an express statement one way or the other at the outset of the litigation. The rules thus operate to permit the diligent litigant to avoid being "sandbagged."

There are also other protections against a party's lying in wait on the issue of consent until after appeals have been taken and the merits decided, such as the ordinary principle of appellate waiver. As this Court has explained, "[n]o procedural principle is more familiar ... than that a constitutional right, or a right of any other sort, may be forfeited ... by the failure to make timely assertion of the right before a tribunal having jurisdiction to determine it." *Stern*, 131 S. Ct. at 2608 (internal quotation marks omitted). Thus, even though a party's failure to object to entry of judgment does not constitute consent, on review of that judgment a party must timely raise—or forfeit according to the ordinary doctrine of appellate waiver—the argument that consent was not properly obtained.

In this case, Sharif stated in his summary judgment motion that Wellness's adversary proceeding was a core matter. Mem. in Supp. of Summ. J. 1, Dkt. 65-2 (Bankr. N.D. Ill. June 22, 2010). Amicus takes no position as to whether that statement constituted express consent sufficient to satisfy the Bankruptcy Rules. Nor does it take a position as to whether Sharif forfeited his objection to

the bankruptcy court's entry of final judgment by failing to raise that objection properly on appeal.

CONCLUSION

This Court should hold that the bankruptcy court could constitutionally enter final judgment on petitioner's claim even without respondent's consent and should therefore reverse the judgment of the court of appeals. If the Court disagrees, it should hold that bankruptcy courts may constitutionally enter final judgment in non-core proceedings with the parties' consent, but that under the Federal Rules of Bankruptcy Procedure such consent must be express.

Respectfully submitted.

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SEPTEMBER 2014

FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

IN RE BERKELEY DELAWARE COURT,
LLC,
Debtor,

SAID ADELI,
Plaintiff-Appellant,

v.

CHRISTOPHER R. BARCLAY, Chapter
7 Trustee,
Trustee-Appellee,

FIRST CITIZENS BANK & TRUST
COMPANY,
Defendant-Appellee.

No. 14-55854

D.C. No.
3:12-cv-02908-
CAB-MDD

OPINION

Appeal from the United States District Court
for the Southern District of California
Cathy Ann Bencivengo, District Judge, Presiding

Argued and Submitted May 3, 2016
Pasadena, California

Filed August 23, 2016

Before: Raymond C. Fisher, Milan D. Smith, Jr.,
and Jacqueline H. Nguyen, Circuit Judges.

Opinion by Judge Nguyen

SUMMARY*

Bankruptcy

The panel affirmed the district court's order dismissing a bankruptcy appeal as moot under 11 U.S.C. § 363(m).

The debtor's owner appealed the bankruptcy court's approval of a settlement agreement between the Chapter 7 trustee and a creditor that had sought to foreclose on the debtor's construction project. The panel held that the appeal was moot because the owner did not seek a stay of the bankruptcy court's order allowing the sale to the creditor of the bankruptcy estate's legal claims arising out of a state court case filed by the debtor against the creditor. Agreeing with other circuits and with the Ninth Circuit Bankruptcy Appellate Panel, the panel held that a bankruptcy court has discretion to apply the procedures of § 363(m) to a sale of claims pursuant to a settlement approved under Bankruptcy Rule 9019. In addition, the bankruptcy court did not clearly err in determining that the creditor was a good faith purchaser of the debtor's claims. Under § 363(m), therefore, the sale could not be modified or set aside on appeal unless it was stayed pending appeal.

* This summary constitutes no part of the opinion of the court. It has been prepared by court staff for the convenience of the reader.

COUNSEL

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OPINION

NGUYEN, Circuit Judge:

Said Adeli appeals the district court’s order dismissing his bankruptcy appeal as moot under § 363(m) of the Bankruptcy Code. We find no error and affirm.

I

About twenty years ago, Adeli bought a parcel of land in Berkeley, California, and formed Berkeley Delaware Court, LLC (“Debtor”) for the purpose of constructing a mixed-use building on the property. In 2007, Debtor obtained a \$16.25 million construction loan that was later sold to First-Citizens Bank & Trust Company (“First-Citizens”). First-Citizens eventually attempted to foreclose on the project, which prompted Debtor to file a Chapter 11 bankruptcy petition and a lawsuit against First-Citizens in the California Superior Court. After First-Citizens successfully removed the state court action to the bankruptcy court to be consolidated with the bankruptcy case, the parties reached a settlement. Under the terms of the settlement, First-Citizens

agreed to reduce the loan pay-off amount by several millions of dollars on the conditions that Debtor pay the entire loan balance by a fixed date, and that construction on the project would be completed within six months. The settlement fell apart for reasons disputed by the parties. Debtor then filed a second Chapter 11 bankruptcy petition, and another action in state court alleging that First-Citizens acted fraudulently in connection with the project. Once again, First-Citizens successfully removed the state court action to bankruptcy court and consolidated it with the bankruptcy petition. First-Citizens obtained relief from the automatic stay, took possession of the project, and sold it to a third-party purchaser for \$11,925,000, leaving First-Citizens with a deficiency claim of approximately \$7 million. First-Citizens also filed cross-claims in the state action, alleging various breaches of the settlement agreement by Debtor including entering into leases and collecting rents. Based on the alleged breaches, First-Citizens asserted an administrative priority claim against the bankruptcy estate.

The bankruptcy court eventually converted the bankruptcy case to a Chapter 7 proceeding and appointed a Trustee, who met with counsel for Debtor and First-Citizens to explore settlement options. A few months after his appointment, the Trustee reached a settlement with First-Citizens that allowed First-Citizens to purchase the estate's legal claims arising out of the state court case, subject to overbid procedures, in exchange for cash and a waiver of First-Citizens' claims against the estate. The Trustee filed a motion seeking approval of the settlement under Federal Rule of Bankruptcy Procedure 9019 and the sale of the estate's claims under 11 U.S.C. § 363(b), which the bankruptcy court granted.

In support of the motion, the Trustee submitted a declaration which outlined the terms of the settlement and his evaluation of those terms. The Trustee declared that the settlement allowed First-Citizens to purchase the estate's legal claims as reflected in the state court action, subject to overbid procedures, in exchange for \$108,000 in cash and a waiver of First-Citizens' \$7,000,000 deficiency claim and its \$2,000,000 administrative Chapter 11 claim. The Trustee had investigated Debtor's legal claims against First-Citizens, including their value, likelihood of success, and estimated costs to defend. In the Trustee's view, the uncertainty of the legal claims against First-Citizens and the possibility of protracted litigation weighed in favor of the settlement. Finally, in the Trustee's professional judgment, the terms of the settlement were fair and equitable under Rule 9019 because, in light of the proposed overbid procedures, they presented the maximum amount that the estate and its creditors could realize for the value of the estate's claims.

In November of 2012, after no third parties bid on the sale, the bankruptcy court granted the Trustee's motion and approved the settlement agreement. Adeli appealed the bankruptcy court's approval of the settlement to district court. Significantly, he failed to seek a stay of the sale order. The district court dismissed the appeal as moot under 11 U.S.C. § 363(m). Adeli now appeals the district court's dismissal order.

II

We review the district court's decision de novo. *Ewell v. Diebert (In re Ewell)*, 958 F.2d 276, 279 (9th Cir. 1992). The bankruptcy court's factual findings are reviewed for clear error, and its conclusions of law are reviewed de novo. *Id.*

III

Section 363 of the Bankruptcy Code generally allows the trustee to use, sell, or lease property of an estate, other than in the ordinary course of business, after notice and a hearing. 11 U.S.C. § 363. Under § 363(m), the validity of a “sale or lease of property” executed under the terms of section 363 cannot be challenged on appeal “unless [the bankruptcy court’s] authorization and such sale or lease were stayed pending appeal.” *Id.* § 363(m). The requirement to seek a stay pending appeal only applies to purchases of estate property that were made in good faith, and is designed to protect the interests of good faith purchasers by guaranteeing the finality of property sales. *In re Onouli-Kona Land Co.*, 846 F.2d 1170, 1172 (9th Cir. 1988). Relatedly here, a trustee’s proposed settlement between an estate and its creditors must be approved by the bankruptcy court under Rule 9019, which allows the court to grant approval if the settlement is deemed fair and equitable. Fed. R. Bankr. P. 9019(a); *In re A & C Props.*, 784 F.2d 1377, 1381 (9th Cir. 1986).

There is no dispute in this case that Adeli failed to seek a stay pending appeal, but he offers several arguments as to why his appeal is nevertheless not moot under § 363(m). We address each in turn.

Adeli first argues that § 363 only applies when a trustee sells estate property, not the estate’s potential legal claims. Thus, his argument goes, the requirement to seek a stay in order to avoid mootness under § 363(m) does not apply here. Although we have not addressed in a published decision whether § 363 can apply to a settlement of potential claims, the Ninth Circuit Bankruptcy Appellate Panel (“BAP”) has done so. *See In re Mickey Thompson Entm’t Grp., Inc.* (“*Mickey Thompson*”), 292 B.R. 415 (BAP 9th Cir. 2003).

In *Mickey Thompson*, the Ninth Circuit BAP held that “a bankruptcy court is obliged to consider . . . whether any property of the estate that would be disposed of in connection with the settlement might draw a higher price through a competitive process and be the proper subject of a section 363 sale.” *Id.* at 421–22. The BAP reasoned that “the disposition by way of ‘compromise’ of a claim that is an asset of the estate is the equivalent of a sale of the intangible property represented by the claim.” *Id.* at 421; *see also In re Nuttery Farm, Inc.*, 467 F. App’x 711, 712 (9th Cir. 2012) (“The Bankruptcy Code allows the trustee [to seek authorization] to sell or settle a cause of action.”). Similarly, two of our sister circuits have held that § 363 may be applied to the sale of an estate’s legal claims. *See In re Moore*, 608 F.3d 253, 258 (5th Cir. 2010) (holding that “[a] trustee may sell litigation claims that belong to the estate, as it can other estate property, pursuant to § 363(b)"); *In re Martin*, 91 F.3d 389, 394–95 (3d Cir. 1996) (noting that § 363 procedures may be applied to a settlement agreement that involves the mutual release of claims).

We agree with the BAP in *Mickey Thompson* and with our sister circuits, and hold that a bankruptcy court has the discretion to apply § 363 procedures to a sale of claims pursuant to a settlement approved under Rule 9019. As the Fifth Circuit noted, “[a] compromise of a claim of the estate is in essence the sale of that claim to the defendant.” *In re Moore*, 608 F.3d at 264 (quoting 10 *Collier on Bankruptcy* ¶ 6004.01 (15th ed. rev. 2009)). We see no good reason why a trustee and the bankruptcy court cannot utilize the procedures of § 363 in certain settlements in order to ensure maximum value for the estate.¹

¹ Adeli’s reliance on *In re Healthco Int’l, Inc.*, 136 F.3d 45 (1st Cir.

Adeli next argues that even if § 363 applies, its requirement of a stay pending appeal should not be triggered here because the Trustee’s overbid procedures did not in fact entice outside bidders, and First-Citizens is not deserving of the finality guaranteed by the stay-of-sale requirement. *See In re Healthco Int’l, Inc.*, 136 F.3d at 49. We have been reticent to carve out exceptions to the § 363(m) stay-of-sale requirement, and we again decline to do so now. *See In re Exennium, Inc.*, 715 F.2d 1401, 1404 (9th Cir. 1983) (“We are quite reluctant to invoke public policy to override the Code’s express requirement that reversal of an authorization of sale not affect the sale’s validity unless the authorization and sale were stayed.”). We have applied the mootness rule to § 363 sales even where the purchaser was a party to the appeal, and where the purchaser had not yet taken irreversible steps following the sale. *See In re Onouli-Kona Land Co.*, 846 F.2d at 1172. Indeed, we have recognized only two narrow exceptions to § 363(m), neither of which applies here.² *See In re Ewell*, 958 F.2d at 280 (recognizing

1998), is misplaced. That case involved a settlement that was *not* processed under § 363, and thus is factually inapposite. *Id.* at 48.

² Adeli’s argument that the language of the settlement agreement exempts him from § 363(m) lacks merit. Although we suggested in *In re CADA Investments, Inc.*, 664 F.2d 1158, 1160 (9th Cir. 1981), that express contractual language could form a basis for an exception to the stay requirement, that case preceded *In re Ewell*, 958 F.2d at 280 (recognizing “only two exceptions” to § 363(m) mootness). Assuming *In re CADA* is still good law, it is distinguishable on its facts: there, the sale documents were explicitly premised on specific appeals the parties had clearly taken into account. *See In re CADA Invs., Inc.*, 664 F.2d at 1160. The settlement agreement at issue here simply states that the transaction will be effective upon entry of a final and non-appealable order of the bankruptcy court. The Trustee and First-Citizens – the only two parties to the settlement agreement – obviously viewed this condition as satisfied, as they both executed their respective obligations

exceptions “where real property is sold subject to a statutory right of redemption” and “where state law otherwise would permit the transaction to be set aside”). Where, as here, a bankruptcy court invokes § 363 for a sale of claims pursuant to a settlement agreement, all parties are bound by § 363(m)’s requirement to seek a stay regardless of whether an outside party makes a bid on the sale. *See In re Onouli-Kona Land Co.*, 846 F.2d at 1172 (“Finality in bankruptcy has become the dominant rationale for our decisions; the trend is towards an absolute rule that requires appellants to obtain a stay before appealing a sale of assets.”).

Finally, Adeli argues that § 363(m) does not apply because the sale of claims to First-Citizens was not authorized in good faith. *See* 11 U.S.C. § 363(m). Absence of good faith is “typically shown by fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.” *In re Filtercorp, Inc.*, 163 F.3d 570, 577 (9th Cir. 1998) (internal quotation marks and alterations omitted). The bankruptcy court found that the agreement “was the product of an arms-length negotiation between the Trustee and First-Citizens and entered into by the parties without collusion and in good faith.” This good faith finding was supported by a declaration of the Trustee in which he stated that he met with counsel for Debtor and First-Citizens to investigate the parties’ claims and explore settlement options. Adeli faults the Trustee for being insufficiently thorough in his assessment of the parties’ claims, but does not identify any facts suggesting bad faith. Based on this evidence, the bankruptcy court did not clearly err in finding that First-


under the contract, and First-Citizens proceeded to litigate one of the causes of action against a third party until securing summary judgment in 2014.

Citizens was a purchaser in good faith for the purpose of § 363(m).

* * *

We conclude that the bankruptcy court had the discretion to apply 11 U.S.C. § 363 to the settlement involving a sale of the estate’s potential claims, and did not clearly err in determining that First-Citizens was a good faith purchaser of those claims. Under § 363(m), therefore, the sale may not be modified or set aside on appeal unless it was stayed pending appeal. And because Adeli failed to seek a stay, the appeal is moot. We do not reach Adeli’s challenges to the propriety of the sale of claims under § 363, as such an analysis would require us to impermissibly reach the underlying merits of the settlement. *In re Exennium, Inc.*, 715 F.2d at 1404 (“[T]he equitable power to overturn a confirmed judicial sale is conditioned on the appellant’s compliance with the stay requirement. . . .”).

AFFIRMED.

 KeyCite Yellow Flag - Negative Treatment
Disagreed With by [Loth v. Union Pacific R. Co.](#), Mo.App. E.D.,
April 12, 2011

493 F.3d 1151
United States Court of Appeals,
Tenth Circuit.

James M. EASTMAN, Plaintiff,
and
R. Michele Russell, as Trustee of the Bankruptcy
Estate of Wayne D. Gardner, Plaintiff/Intervenor,
and
Wayne D. Gardner, Plaintiff–Appellant,
v.
UNION PACIFIC RAILROAD COMPANY, a
Delaware corporation; Renzenberger, Inc., a Kansas
corporation; Milton W. Marshall; Ellie T. Taylor;
Radel Frye; Wanda Frye; Macy's Truck Repair, Inc.,
a Wyoming corporation, Defendants–Appellees,
and
[Oleg Pekun](#); MJ Transportation, Inc.,
an Illinois corporation, Defendants.

No. 05–8106.
|
July 6, 2007.

Synopsis

Background: Railroad worker, who was injured in an automobile accident while in the employ of the railroad, brought personal injury action against railroad under the Federal Employers' Liability Act (FELA), and against others asserting state law negligence claims. After bankruptcy trustee in worker's pending chapter 7 bankruptcy case was granted leave to intervene, the United States District Court for the District of Wyoming, William F. Downes, J., granted summary judgment in favor of defendants. Worker appealed.

Holdings: The Court of Appeals, [Baldock](#), Circuit Judge, held that:

[1] federal defense of judicial estoppel, rather than state principles, controlled, and

[2] worker was judicially estopped from pursuing personal injury action.

Affirmed.

West Headnotes (7)

[1] Federal Courts

Estoppel and waiver

The Court of Appeals reviews a decision to judicially estop a plaintiff from pursuing his personal injury claims for an abuse of discretion.

[8 Cases that cite this headnote](#)

[2] Federal Courts

Abuse of discretion in general

A court “abuses its discretion” only when it makes a clear error of judgment, exceeds the bounds of permissible choice, or when its decision is arbitrary, capricious or whimsical, or results in a manifestly unreasonable judgment.

[10 Cases that cite this headnote](#)

[3] Bankruptcy

In general;standing

Federal defense of judicial estoppel, rather than state principles, controlled whether railroad worker's personal injury action against railroad and other defendants under the Federal Employers' Liability Act (FELA) was barred by worker's prior failure to disclose the personal injury claim in his chapter 7 bankruptcy case, where both the bankruptcy action and the personal injury action were governed by federal law and filed in federal court. Federal Employers' Liability Act, § 1, 45 U.S.C.A. § 51; 11 U.S.C.A. § 521(1).

[36 Cases that cite this headnote](#)

[4] Estoppel

🔑 [Claim inconsistent with previous claim or position in general](#)

Judicial estoppel applies when a party's subsequent position is clearly inconsistent with its former position.

[64 Cases that cite this headnote](#)

[5] **Estoppel**

🔑 [Claim inconsistent with previous claim or position in general](#)

In determining whether judicial estoppel applies, a court should inquire whether the suspect party succeeded in persuading a court to accept that party's former position, so that judicial acceptance of an inconsistent position in a later proceeding would create the perception that either the first or the second court was misled.

[59 Cases that cite this headnote](#)

[6] **Estoppel**

🔑 [Claim inconsistent with previous claim or position in general](#)

In determining whether judicial estoppel applies, the court should inquire whether the party seeking to assert an inconsistent position would gain an unfair advantage in the litigation if not estopped.

[48 Cases that cite this headnote](#)

[7] **Bankruptcy**

🔑 [In general;standing](#)

Estoppel

🔑 [Claim inconsistent with previous claim or position in general](#)

Railroad worker, who was injured in an automobile accident while in the employ of the railroad, was judicially estopped from pursuing personal injury action against railroad under Federal Employers' Liability Act (FELA) and against other defendants pursuant to state law; worker failed to disclose his pending personal injury lawsuit in his chapter 7 bankruptcy petition or schedules, he also unequivocally responded "no" when

the bankruptcy trustee asked whether he had a personal injury suit pending, he received a complete discharge of his debts, and even though, his bankruptcy case was reopened and his creditors were made whole once his omission became known, worker took clearly inconsistent positions in his bankruptcy case and personal injury case. [11 U.S.C.A. § 521\(1\)](#); Federal Employers' Liability Act, § 1, [45 U.S.C.A. § 51](#).

[48 Cases that cite this headnote](#)

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[Kevin Scott Taylor](#), Snell & Wilmer L.L.P. ([Holly R. Shilliday](#), Snell & Wilmer *[1153 L.L.P.](#), Denver, CO, [George Powers](#) and [Isaac Sutphin](#), Sundalh, Powers, Kapp & Martin, Cheyenne, WY, [Richard A. Mincer](#) and [Robert C. Jarosh](#), Hirst & Applegate, Cheyenne, WY, and [Marvin L. Tyler](#) and William B. Payne, Bussart, West & Tyler, P.C., Rock Springs, WY, with him on the brief) Denver, CO, for Defendants–Appellees.

Before [HENRY](#) and [BALDOCK](#), Circuit Judges, and [MARTEN](#), District Judge. *

* The Honorable [J. Thomas Marten](#), United States District Judge for the District of Kansas, sitting by designation.

Opinion

[BALDOCK](#), Circuit Judge.

In this appeal we must decide whether the district court properly exercised its discretion in holding Plaintiff Wayne Gardner is judicially estopped from pursuing his personal injury claims against Defendants because he failed to disclose his pending claims to the bankruptcy court in the context of his chapter 7 bankruptcy. Our jurisdiction arises under [28 U.S.C. § 1291](#). We conclude the district court properly exercised its discretion, and affirm.

I.

Gardner was injured in an auto accident while in the employ of Defendant Union Pacific Railroad (UPRR). Gardner, represented by a personal injury attorney, filed an action (along with a coworker) in federal district court for damages in September 2003 against UPRR pursuant to the Federal Employers' Liability Act. *See* 45 U.S.C. §§ 51–60. He alleged Wyoming state law negligence claims against the remaining Defendants pursuant to the supplemental jurisdiction statute. *See* 28 U.S.C. § 1367. With his personal injury claims pending, Gardner (and his wife) retained a bankruptcy attorney and in May 2004 filed a voluntary chapter 7 bankruptcy petition. Gardner did not notify his personal injury attorney of the bankruptcy.

The bankruptcy petition, which Gardner signed under penalty of perjury, failed to disclose his pending lawsuit as a potential asset of the estate. By signing the petition, Gardner verified he had read the petition, schedules, and statement of financial affairs, and the information contained therein was true and correct. On schedule B relating to personal property, Gardner checked “none” as to item 20. Item 20 required Gardner to disclose “[o]ther contingent and unliquidated claims of every nature[.]” Item 4 on his statement of financial affairs required Gardner to “[l]ist all suits and administrative proceedings to which the debtor is or was a party” within the preceding year. Gardner listed two collection suits. Conspicuously absent from the list was Gardner's pending personal injury lawsuit against Defendants.

At the § 341 meeting of creditors in June 2004, Gardner unequivocally responded “no” when the trustee asked him if he had a personal injury suit pending. When given a second chance to set the record straight, Gardner failed to do so. Instead, Gardner let his bankruptcy attorney do the talking:

Trustee: Do either of you have a personal injury suit pending?

Gardner: No.

Trustee: Have you been in an accident, or anything like that?

Gardner: Ya, I was in an accident.

Attorney: On work?

Gardner: On work.

Trustee: Ok. So, it would be Workers' Comp?

Attorney: It's not Workers' Comp, per se, because its on the railroad and they have a different.

*1154 Trustee: Oh, and they have their own little world.

Attorney: Yes, yes.... [My clients] know exactly what you mean when you say their own little world, because it's a real mess. They're not getting him any hearing aids until the whole thing's all completely done. I mean, they won't do medical things for him in the meantime.

Trustee: So, you just continue to hang out there, huh?

Attorney: Ya.

Trustee: Are there any creditors here for the Gardners? I don't see that there is anything to administer. I am going to close this as a “No Asset” case. This 341 is completed.

In August 2004, the bankruptcy court entered an order granting Gardner a discharge under chapter 7 of the bankruptcy code. Neither the district court nor counsel involved in Gardner's personal injury suit had yet to learn of his bankruptcy.

Nearly a year later, Gardner's personal injury attorney became aware of his bankruptcy while performing a routine court search under Gardner's name. Counsel promptly notified the bankruptcy trustee, and in July 2005, the trustee moved to reopen the chapter 7 bankruptcy case and list Gardner's pending lawsuit as an asset of the estate. According to the trustee's motion, “[t]he debtors testified at the § 341 Meeting of Creditors that there was a workers' compensation action for Mr. Gardner that was considered to be exempt.” Subsequently, “the Trustee was notified of the pending personal injury action regarding Mr. Gardner that was a Rail Road Workers' Compensation action which is not exempt.”¹ The bankruptcy court entered an order reopening the case the next day.

1 Under Wyoming law, workers' compensation claims do not constitute property of the bankruptcy estate. See *Wyo. Stat. Ann.* §§ 1–20–109; 27–14–702.

At a pretrial hearing before the district court the next week, Gardner's personal injury attorney informed the court and defense counsel that he recently discovered Gardner had filed for bankruptcy and received a discharge during the pendency of the personal injury action. After the trustee unsuccessfully attempted to sell the lawsuit to Gardner for the benefit of his creditors, the court granted the trustee leave to intervene and substituted the trustee as Plaintiff and real-party-in-interest in the personal injury action. See *Fed.R.Civ.P.* 17(a). Defendants shortly thereafter moved for summary judgment against both Gardner and the trustee based on the equitable defense of judicial estoppel.

Applying the principles set forth in *New Hampshire v. Maine*, 532 U.S. 742, 121 S.Ct. 1808, 149 L.Ed.2d 968 (2001), the district court concluded Gardner and the trustee were estopped from pursuing personal injury claims against Defendants. In a thorough written order, the district court explained: “Mr. Gardner took an inconsistent position before the Bankruptcy Court. He convinced the Bankruptcy Court to rely on his inconsistent position. And he gained an unfair advantage, or substantial benefit, by obtaining the discharge of his debts in a ‘no asset’ bankruptcy.” *Eastman v. Union Pacific Railroad Co.*, No. 03–CV–185–D, order at 14 (D. Wyo., filed Aug. 30, 2005) (unpublished). The court further concluded, based on the undisputed historical facts, that “Gardner had a motive to conceal his personal injury claim from the Bankruptcy Court and that his failure to disclose was not inadvertent.”

What the Court finds most telling ... is the fact that when given the opportunity at the meeting of creditors to reveal the *1155 pending litigation, Mr. Gardner did not disclose his personal injury action. First, he explicitly denied having a personal injury action pending. Second, his attorney represented that the claim was not workers' compensation “per se,” but indicated that any claim was related to an on-the-job injury, leading the Trustee to believe that

the claim was similar in nature to a workers' compensation claim. Third, Mr. Gardner's attorney referred to UPRR's failure to provide hearing aids to Mr. Gardner, misrepresenting the extent of the claims involved. Mr. Gardner had an affirmative duty to speak up and let the trustee know the nature of his lawsuit against UPRR as well as eight other defendants....

Id. at 16–17. Careful not to suggest Gardner or his bankruptcy attorney intentionally lied to the bankruptcy court in an effort to conceal assets, the district court nonetheless refused to “take the benign view that the failure to disclose was inadvertent:”

If the only defendant in the personal injury action had been Mr. Gardner's employer, UPRR, the Court might have been swayed that Mr. Gardner attempted to disclose the lawsuit. Certainly, there was a discussion in the meeting of creditors of a work related injury. As it stands, however, no reference was ever made, however slight, to the eight other defendants involved in the personal injury action, six of whom are not even tangentially related to UPRR. The Bankruptcy Court was misled, and it is incumbent upon this Court to protect the integrity of the judicial process....

Id. at 18. This appeal followed.²

2 Although the trustee filed a notice of appeal prior to the district court's entry of final judgment, *Fed. R.App. P.* 4(a)(2) generally allows a premature notice of appeal filed from a nonfinal order to ripen upon subsequent entry of final judgment. See *Lewis v. B.F. Goodrich Co.*, 850 F.2d 641, 645 (10th Cir.1988). The general rule is subject to certain limitations inapplicable here. See *Reed v. McKame*, 153 Fed.Appx. 511, 513–14 (10th Cir.2005) (discussing rule's limitations).

II.

At the outset we note that shortly prior to the district court's decision, the trustee settled the personal injury action with two named Defendants who are not before us on appeal. This ultimately provided the bankruptcy estate with sufficient assets to pay all allowable creditors' claims. With Gardner' debts satisfied, the bankruptcy court entered an order directing the trustee to abandon the estate's interest in this appeal, and the trustee has done so. Accordingly, we grant the parties' pending motions to substitute Plaintiff Gardner in this appeal as the real-party-in-interest in place of the bankruptcy trustee, amend the caption of this appeal to reflect such change, and proceed. See Fed. R.App. P. 43(a).³

³ Quite likely the district court's application of judicial estoppel against the trustee was inappropriate, at least to the extent Gardner's personal injury claims were necessary to satisfy his debts. See *Parker v. Wendy's Int'l., Inc.*, 365 F.3d 1268, 1271–72 (11th Cir.2004). This is because at the time of the court's decision, the trustee as the real-party-in-interest had not engaged in contradictory litigation tactics. See *Cannon–Stokes v. Potter*, 453 F.3d 446, 448 (7th Cir.2006) (“Judicial estoppel is an equitable doctrine, and it is not equitable to employ it to injure creditors who are themselves victims of the debtor's deceit.”). But because Gardner's creditors have been paid and the trustee, on behalf of the estate, has abandoned Gardner's personal injury claims, Gardner's creditors no longer have an interest in such claims. With those claims once again in Gardner's hands, judicial estoppel becomes an appropriate subject for our consideration. Gardner's motion asking us to remand this matter to the district court for further consideration, absent the trustee, is denied.

[1] [2] This appeal arises in the context of summary judgment, so we view the *1156 facts and all reasonable inferences to be drawn therefrom in a light most favorable to the nonmoving party, *i.e.*, Gardner. See *Roberts v. Barreras*, 484 F.3d 1236, 1239 (10th Cir.2007). Assuming the district court has properly characterized the facts in light of the applicable standard, we then review its decision to judicially estop Gardner from pursuing his personal injury claims only for an abuse of discretion. See *New Hampshire*, 532 U.S. at 750, 121 S.Ct. 1808. A court abuses its discretion only “when it makes a clear error of judgment, exceeds the bounds of permissible choice,

or when its decision is arbitrary, capricious or whimsical, or results in a manifestly unreasonable judgment.” *United States v. Nickl*, 427 F.3d 1286, 1300 (10th Cir.2005) (internal quotations and brackets omitted).

[3] Whether we apply state or federal estoppel principles in our analysis is another matter. Certainly we apply federal principles to Gardner's federal claims. See *Burnes v. Pemco Aeroplex, Inc.*, 291 F.3d 1282, 1285 (11th Cir.2002). We similarly believe Gardner's pendent state law claims arising under Wyoming law must be analyzed in the context of federal principles. The doctrine of federal judicial estoppel is foremost designed to protect the federal judicial process. See *New Hampshire*, 532 U.S. at 749, 121 S.Ct. 1808. Gardner's bankruptcy is a federal matter. Gardner filed his personal injury action in federal district court. That is the court where the judicial estoppel defense arises. That is the court interested in protecting its process. Simply put, a federal court's ability to protect itself from manipulation should not depend upon the law of the state under which some or all of the claims arise. See *Rissetto v. Plumbers and Steamfitters Local 343*, 94 F.3d 597, 602–04 (9th Cir.1996) (explaining *Erie* policies must yield to countervailing federal policies in the application of judicial estoppel); accord *Ogden Martin Sys. v. Whiting Corp.*, 179 F.3d 523, 527 n. 1 (7th Cir.1999); *Edwards v. Aetna Life Ins. Co.*, 690 F.2d 595, 598 n. 4 (6th Cir.1982); *Allen v. Zurich Ins. Co.*, 667 F.2d 1162, 1167 n. 4 (4th Cir.1982).

A.

[4] [5] [6] The Supreme Court first recognized the doctrine of judicial estoppel in *New Hampshire v. Maine*. The Court explained that the doctrine's “purpose is to protect the integrity of the judicial process by prohibiting parties from deliberately changing positions according to the exigencies of the moment.” *New Hampshire*, 532 U.S. at 749–50, 121 S.Ct. 1808 (internal citation and quotations omitted). In other words, “the rule is intended to prevent improper use of judicial machinery.” *Id.* at 750, 121 S.Ct. 1808 (internal quotations omitted). While the Court recognized the circumstances under which a court might invoke judicial estoppel will vary, three factors “typically inform the decision whether to apply the doctrine in a particular case.” *Id.* First, a party's subsequent position must be “‘clearly inconsistent’” with its former position. *Id.* Next, a court should inquire whether the suspect

party succeeded in persuading a court to accept that party's former position, "so that judicial acceptance of an inconsistent position in a later proceeding would create the *perception* that either the first or the second court was misled[.]" *Id.* (emphasis added) (internal quotations omitted). Finally, the court should inquire whether the party seeking to assert an inconsistent position would gain an unfair advantage in the litigation if not estopped. *Id.* at 751, 121 S.Ct. 1808.⁴

⁴ Although we had resisted application of the doctrine of federal judicial estoppel for years prior, in *Johnson v. Lindon City Corp.*, 405 F.3d 1065, 1068–69 (10th Cir.2005), we first applied the doctrine consistent with the Supreme Court's directive in *New Hampshire*.

***1157 B.**

[7] On appeal, Gardner takes aim at the inferences the district court drew from the historical facts. Contrary to the district court's characterization of the facts, Gardner asserts his failure to disclose in no uncertain terms his pending personal injury action to the bankruptcy court resulted from "[m]istake, inadvertence, confusion, lack of understanding, lack of legal sophistication, and the like[.]" Gardner places the blame on his bankruptcy attorney whom Gardner claims he informed of the pending lawsuit early in the bankruptcy proceedings: "Mr. Gardner is an unsophisticated layman, unschooled in legal niceties, happily working on the railroad and knowing only that he got hurt 'on work,' relying on the educated professionals around him to file the right papers." In short, Gardner claims ignorance.

1.

To be sure, in *New Hampshire*, 532 U.S. at 753, 121 S.Ct. 1808, the Supreme Court did "not question that it *may* be appropriate to resist application of judicial estoppel when a party's prior position was based on inadvertence or mistake." (emphasis added) (internal quotations omitted). Unfortunately for Gardner, our sister circuits, for what seem to us sound reasons, have not been overly receptive to debtors' attempts to recover on claims about which they "inadvertently or mistakenly" forgot to inform the bankruptcy court. Instead, courts addressing a debtor's failure to satisfy the legal duty of full disclosure to the

bankruptcy court have deemed such failure inadvertent or mistaken "only when, in general, the debtor either lacks knowledge of the undisclosed claims or has no motive for their concealment." *In re Coastal Plains, Inc.*, 179 F.3d 197, 210 (5th Cir.1999); accord *Browning v. Levy*, 283 F.3d 761, 776 (6th Cir.2002); *Barger v. City of Cartersville*, 348 F.3d 1289, 1294 (11th Cir.2003). Where a debtor has both knowledge of the claims and a motive to conceal them, courts routinely, albeit at times *sub silentio*, infer deliberate manipulation. See *Burnes*, 291 F.3d at 1287 ("[S]everal circuits, in considering the particular issue of judicial estoppel and the omission of assets in a bankruptcy case, have concluded that deliberate or intentional manipulation can be inferred from the record.").

The most recent example is the Seventh Circuit's decision in *Cannon–Stokes v. Potter*, 453 F.3d 446 (7th Cir.2006). In *Cannon–Stokes*, the court held a debtor in bankruptcy who denies owning a legal claim cannot realize on the previously concealed claim after the bankruptcy ends. The court was unpersuaded by an affidavit the debtor submitted asserting her failure to disclose her discrimination claim against her employer was the result of good faith reliance on legal advice. Noting a client is bound by the acts of her attorney and the remedy for bad legal advice rests in malpractice litigation, the court explained the signature on the bankruptcy schedule was the debtor's, the representation she made therein was false, and she received the benefit of a discharge without seeking to make her creditors whole. *Id.* at 449; accord *Barger*, 348 F.3d at 1295 (recognizing that although the debtor informed his bankruptcy attorney about his pending lawsuit, "the attorney's omission is no panacea") (citing *Link v. Wabash R.R. Co.*, 370 U.S. 626, 633–34, 82 S.Ct. 1386, 8 L.Ed.2d 734 (1962)).

The First Circuit delivered a similarly terse message to the debtor in *Payless Wholesale Distrib., Inc. v. Alberto Culver (P.R.) Inc.*, 989 F.2d 570 (1st Cir.1993). In *Payless*, the court referred to the bankruptcy debtor's failure to disclose a pending legal claim as "a palpable fraud that the court will not tolerate, even passively." *Id.* at 571. Seeking to preserve the reliability of bankruptcy disclosures *1158 for the benefit of creditors, the court reasoned the debtor "having obtained judicial relief on the representation that no claims existed, can not now resurrect them and obtain relief on the opposite basis.... Indeed, defendants may have a windfall. However, [the

failure to disclose] is an unacceptable abuse of judicial proceedings.” *Id.*; see also *Burnes*, 291 F.3d at 1286 (explaining that because judicial estoppel is designed to protect the judicial process rather than litigants, a party’s detrimental reliance on a debtor’s inconsistent position is unnecessary) (citing cases).

Yet another example is the Fifth Circuit’s decision in *Jethroe v. Omnova Solutions, Inc.*, 412 F.3d 598 (5th Cir.2005). In that case, the court rejected the debtor’s argument that her failure to inform the bankruptcy court of her discrimination claims was inadvertent because her bankruptcy attorney told her such claims were “irrelevant.” *Id.* at 601. The court explained that to establish inadvertence, the debtor had to prove “either that she did not know of the inconsistent position or that she had no motive to conceal it from the court.” *Id.* at 600–01. The court opined that “[j]udicial estoppel is particularly appropriate where, as here, a party fails to disclose an asset to a bankruptcy court, but then pursues a claim in a separate tribunal based on that undisclosed asset.” *Id.* at 600; accord *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d 778, 783 (9th Cir.2001) (“In the bankruptcy context, a party is judicially estopped from asserting a cause of action not raised in a reorganization plan or otherwise mentioned in the debtor’s schedules or disclosure statements.”) (citing cases).

2.

Given the overwhelming weight of authority, the district court’s decision to employ judicial estoppel against Gardner under the circumstances presented is undoubtedly sound. The sole circuit court case on which Gardner relies to any extent is not to the contrary. In *Eubanks v. CBSK Fin. Group, Inc.*, 385 F.3d 894 (6th Cir.2004), the Sixth Circuit concluded a debtor’s omission of a lender-liability claim from his initial bankruptcy schedule was indeed the result of mistake or inadvertence. The court explained that at the meeting of creditors, the debtor “orally informed” the trustee of the claim he was in the process of filing against the lender. The trustee then “orally instructed” the debtor’s counsel to forward to him all documents regarding the claim. Counsel forwarded the documentation to the trustee two days later. See *id.* at 895–96. The court concluded the debtor “put the court and the trustee on notice through correspondence, motions, and status conference requests,” thus supporting

the court’s view that the claim’s omission on the schedules was inadvertent. *Id.* at 899.

Those are not the facts here. Nowhere on the petition, schedules, or statements Gardner filed with the bankruptcy court did he disclose his pending personal injury action. Then, unlike *Eubanks*, when the trustee specifically asked Gardner whether he had a personal injury suit pending, he unequivocally responded “no.” As the district court ably explained, the trustee’s subsequent conversation with Gardner’s attorney only served to diffuse the situation and divert attention from the extent of Gardner’s pending claims. Gardner’s attorney, perhaps unaware of the situation, led the trustee to believe any claim Gardner had against UPRR involved relatively minor medical damages, *i.e.*, things like hearing aids. See *Barger*, 348 F.3d at 1296 (explaining that instead of fully disclosing the nature of her pending suit, the debtor “dissembled to the trustee and indicated that her discrimination claim had no monetary value”).

*1159 Even more egregious and equally as telling was Gardner’s failure to even mention UPRR’s eight co-defendants, whom he also had sued, or recognize in any way his state law negligence claims against them. The bankruptcy code imposes a duty upon a debtor to disclose all assets, including contingent and unliquidated claims. See 11 U.S.C. § 521(1). That duty encompasses disclosure of all legal claims and causes of action, pending or potential, which a debtor might have. See *In re Coastal Plains*, 179 F.3d at 208. The statement of financial affairs, to which § 521(1) refers, specifically requires a debtor to disclose his involvement in pending lawsuits. Gardner appears to have understood this latter requirement as illustrated by his listing of two collection suits against him. In short, we think it inconceivable that Gardner, at the time he filed for bankruptcy, did not understand he had a personal injury action pending for nine months prior from which he stood to benefit financially. That he well knew of his pending lawsuit and simply did not disclose it to the bankruptcy court is the only reasonable inference to be drawn from the evidence. After all, Gardner had been seriously injured in an auto accident and sued his employer along with eight other co-defendants for thousands of dollars. “It is impossible to believe that such a sizable claim ... could have been overlooked when [the debtor] was filling in the bankruptcy schedules.” *Cannon–Stokes*, 453 F.3d at 448.

Gardner too had a motive to sweep his personal injury action “under the rug” so he could obtain a discharge free and clear of his creditors. The ever present motive to conceal legal claims and reap the financial rewards undoubtedly is why so many of the cases applying judicial estoppel involve debtors-turned-plaintiffs who have failed to disclose such claims in bankruptcy. The doctrine of judicial estoppel serves to offset such motive, inducing debtors to be completely truthful in their bankruptcy disclosures. *See id.* We think Gardner's case is indistinguishable from the overwhelming majority of cases where debtors, who have failed to disclose legal claims to the bankruptcy court without credible evidence of why they did so, have been judicially estopped from pursuing such claims subsequent to discharge. A large portion of debtors who file for chapter 7 bankruptcy surely are as “unsophisticated” and “unschooled” as Gardner, yet have little difficulty fully disclosing their financial condition to the bankruptcy court. Gardner's assertion that he simply did not know better and his attorney “blew it” is insufficient to withstand application of the doctrine. *See id.* at 447–49; *Jethroe*, 412 F.3d at 600–01; *Barger*, 348 F.3d at 1294–96.

3.

A debtor, once he files for bankruptcy, disrupts the flow of commerce and promptly benefits from an automatic stay. *See* 11 U.S.C. § 362. The debtor then receives the ultimate benefit of bankruptcy when he receives a discharge. A chapter 7 discharge, like Gardner received from the bankruptcy court, relieves the debtor of any obligation to pay outstanding debts. *See id.* § 727(b). This in the aggregate drives up interest rates and harms creditworthy borrowers. *See Cannon–Stokes*, 453 F.3d at 448. In

exchange for these benefits, the bankruptcy code required only that Gardner fully and accurately disclose his financial status. Such disclosure was absent in this matter for no satisfactory reason. Instead, Gardner took “clearly inconsistent” positions in the bankruptcy and district courts. *See New Hampshire*, 532 U.S. at 750, 121 S.Ct. 1808. The obvious “perception” is that Gardner misled the bankruptcy court. *See id.* And Gardner received the benefit of a discharge without ever having disclosed his pending personal injury action against Defendants, *1160 thus providing him an unfair advantage over his creditors. *See id.* The district court's discretionary application of judicial estoppel was appropriate under such circumstances.

That Gardner's bankruptcy was reopened and his creditors were made whole once his omission became known is inconsequential. A discharge in bankruptcy is sufficient to establish a basis for judicial estoppel, “even if the discharge is later vacated.” *Hamilton*, 270 F.3d at 784. Allowing Gardner to “back up” and benefit from the reopening of his bankruptcy only after his omission had been exposed would “suggest[] that a debtor should consider disclosing potential assets only if he is caught concealing them. This so-called remedy would only diminish the necessary incentive to provide the bankruptcy court with a truthful disclosure of the debtor's assets.” *Burnes*, 291 F.3d at 1288. The judgment of the district court is

AFFIRMED.

All Citations

493 F.3d 1151, 58 Collier Bankr.Cas.2d 583

2016 WL 3185576
United States Bankruptcy Court,
D. Delaware.

In re: [Intervention Energy Holdings, LLC](#), et al.,¹ Debtors.

Case No. 16–11247(KJC)

|
Signed June 3, 2016

Synopsis

Background: Creditor that had been granted a single common unit in limited liability company (LLC) moved to dismiss Chapter 11 case filed on behalf of the LLC on ground that, pursuant to amended limited liability company agreement, unanimous consent of all unit holders was required for commencement of bankruptcy petition on LLC's behalf.

[Holding:] The Bankruptcy Court, [Kevin J. Carey, J.](#), held that agreement between limited liability company (LLC) and creditor to which it was indebted, as prerequisite to creditor's forbearance in not exercising its rights in connection with LLC's default, whereby creditor was granted a single common unit interest in LLC and limited liability company agreement was amended to require unanimous consent of all common unit holders for commencement of bankruptcy case on the LLC's behalf, was void as against public policy.

Motion denied.

West Headnotes (7)

[1] **Bankruptcy**

🔑 [Who May Institute Case](#)

51 Bankruptcy

51III The Case

51III(C) Voluntary Cases

51k2255 Who May Institute Case

51k2255.1 In general

Agreement between limited liability company (LLC) and creditor to which it was indebted, as prerequisite to creditor's forbearance in not exercising its rights in connection with LLC's default, whereby creditor was granted a single common unit interest in LLC and limited liability company agreement was amended to require unanimous consent of all common unit holders for commencement of bankruptcy case on the LLC's behalf, was void as against public policy; agreement was executed for sole purpose of granting right to creditor with no obligation to act in best interests of LLC a right block LLC from pursuing relief under the Bankruptcy Code. [11 U.S.C.A. § 101 et seq.](#)

[Cases that cite this headnote](#)

[2] **Bankruptcy**

🔑 [Effect of Bankruptcy Relief;Injunction and Stay](#)

51 Bankruptcy

51IV Effect of Bankruptcy Relief;Injunction and Stay

51IV(A) In General

51k2361 In general

Prepetition agreements purporting to interfere with debtor's rights under the Bankruptcy Code are unenforceable. [11 U.S.C.A. § 101 et seq.](#)

[Cases that cite this headnote](#)

[3] **Bankruptcy**

🔑 [Who May Be a Debtor](#)

51 Bankruptcy

51III The Case

51III(B) Debtors

51k2222 Who May Be a Debtor

51k2222.1 In general

Any terms in prepetition consent agreement purporting to restrict right of debtor parties to file for bankruptcy are unenforceable.

[Cases that cite this headnote](#)

[4] **Bankruptcy**

 [Effect of Bankruptcy Relief;Injunction and Stay](#)

51 Bankruptcy

51IV Effect of Bankruptcy Relief;Injunction and Stay


51IV(A) In General

51k2361 In general

Any attempt by creditor in private pre-bankruptcy agreement to opt out of collective consequences of debtor's future bankruptcy filing is generally unenforceable.

[Cases that cite this headnote](#)

[5] **Bankruptcy**

 [Application of state or federal law in general](#)

Bankruptcy

 [Effect of Bankruptcy Relief;Injunction and Stay](#)

51 Bankruptcy

51I In General

51I(A) In General

51k2002 Application of state or federal law in general

51 Bankruptcy

51IV Effect of Bankruptcy Relief;Injunction and Stay

51IV(A) In General

51k2361 In general

Bankruptcy Code preempts the private right to contract around its essential provisions. 11 U.S.C.A. § 101 et seq.

[Cases that cite this headnote](#)

[6] **Bankruptcy**

 [Effect of Bankruptcy Relief;Injunction and Stay](#)

51 Bankruptcy

51IV Effect of Bankruptcy Relief;Injunction and Stay

51IV(A) In General

51k2361 In general

Advance agreement to waive benefits conferred by bankruptcy laws is wholly void as against public policy.

[Cases that cite this headnote](#)

[7] **Bankruptcy**

 [Who May Be a Debtor](#)

51 Bankruptcy

51III The Case

51III(B) Debtors

51k2222 Who May Be a Debtor

51k2222.1 In general

State cannot deny access to federal bankruptcy relief, whether to individual or to corporation or business entity.

[Cases that cite this headnote](#)

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OPINION²

KEVIN J. CAREY, UNITED STATES BANKRUPTCY JUDGE.

BACKGROUND

*1 Before the Court is the EIG Energy Fund XV–A, L.P. Motion to Dismiss the Chapter 11 Cases of Intervention Energy Holdings, LLC and Intervention Energy, LLC (the “EIG MTD”). (D.I.27.)

Procedural Background

On May 20, 2016, Intervention Energy Holding, LLC (“IE Holdings”) and Intervention Energy, LLC (“IE”) (together, in these jointly administered proceedings, the “Debtors”) filed a voluntary chapter 11 bankruptcy petition in the United States Bankruptcy Court for the District of Delaware (the “Voluntary Petition”).³ (D.I.1.) On May 24, 2016, EIG Energy Fund XV–A, L.P. (hereinafter referred to as “EIG”)⁴ filed the EIG MTD asserting, among other things, that IE Holdings was not authorized to file the Voluntary Petition. (EIG MTD ¶ 15.) EIG argues that, absent its consent to

commence a chapter 11 case, IE Holdings lacked authority to file the Voluntary Petition under the Intervention Energy Holdings, LLC Second Amended and Restated Limited Liability Company Agreement (the “Operating Agreement”) (D.I.27, Ex. H), which requires “approval of *all* Common Members ... [to] commence a voluntary case under any bankruptcy” (EIG MTD ¶ 15). For purposes of disposition of this part of the EIG MTD, the material facts are not in dispute.⁵

At the May 26, 2016, hearing on first day motions, the Court scheduled briefing and argument, limited to the issue of whether IE Holdings lacked authority to file its chapter 11 petition. The Debtors filed their response to the EIG MTD (the “Debtors' Response”) on May 31, 2016. (D.I.52.) EIG filed its Reply in Support of the EIG MTD on June 1, 2016 (the “EIG Reply”). (D.I.58.) A hearing to consider the motion and response was held on June 2, 2006.

Factual Background

*2 IE Holdings and IE are limited liability companies formed in 2007, and governed under the laws of the State of Delaware. (Zimmerman Decl. ¶ 9, Operating Agreement § 12.9.) They are private, non-operated oil and natural gas exploration and production companies, almost entirely located in North Dakota. (Zimmerman Decl. ¶ 9.) IE Holdings is owned as follows: 84.73% — Intervention Energy Investment Holdings, LLC (“IEIH”); 15.27%—various business and individual investors. (Zimmerman Decl. ¶ 21.) IE Holdings issued 22,000,001 Common Units: IEIH holds 22,000,000 Common Units and EIG holds but one Common Unit. (Zimmerman Decl. ¶ 19.) IE is a wholly-owned subsidiary of IE Holdings. (Zimmerman Decl. ¶ 18.) EIG is an institutional investor specializing in private investments in global energy, resource, and related infrastructure projects and companies. (EIG MTD ¶ 11.)

On January 6, 2012, the Debtors and EIG entered into a Note Purchase Agreement (the “Note Purchase Agreement”), whereby EIG provided up to \$200 million in senior secured notes (the “Secured Notes”). (Zimmerman Decl. ¶ 23, EIG MTD ¶ 14.) As of the date of the Voluntary Petition, the principal amount outstanding under the Secured Notes was approximately \$140 million. (Zimmerman Decl. ¶ 24.) The Secured Notes are secured by liens on certain of the Debtors' assets, including, among

other things, all inventory, accounts, equipment, fixtures, deposit accounts, and cash collateral. (Zimmerman Decl. ¶ 24, EIG MTD ¶ 14.) Specifically, with respect to cash collateral, the Debtors granted EIG a lien on all amounts held in any deposit account of the Debtors, as well as a lien on the Debtors' rights to payment under any contract. (Zimmerman Decl. ¶ 25, EIG MTD ¶ 14.)

On September 15, 2014, the Debtors and EIG entered into Amendment No. 3 to the Note Purchase Agreement (the “Third Amendment”) to expand EIG's funding commitment from \$110 million to \$150 million. (Zimmerman Decl. ¶ 32, EIG MTD ¶ 18.) In connection with the Third Amendment, the parties amended certain elements of the positive debt covenant calculations (the “Maintenance Covenants”). (Zimmerman Decl. ¶ 32, EIG MTD ¶ 19.) In October 2015, EIG declared an event of default based on the Debtors' failure to comply with the Maintenance Covenants. (Zimmerman Decl. ¶ 33, EIG MTD ¶ 20.)

On December 28, 2015, the Debtors and EIG negotiated and entered into Amendment No. 5, Forbearance Agreement and Contingent Waiver (the “Forbearance Agreement”). (Zimmerman Decl. ¶ 34, EIG MTD ¶ 21, D.I. 27, Ex. N.) The Forbearance Agreement provided that EIG would waive all defaults if the Debtors raised \$30 million of equity capital to pay down a portion of the existing Secured Notes by June 1, 2016. (Zimmerman Decl. ¶ 34, EIG MTD ¶ 22.) As a condition to the effectiveness of the Forbearance Agreement, the Debtors were required to fulfill the following conditions precedent:

The Administrative Agent shall have received a fully executed amendment to the limited liability company agreement of the Parent in form and substance satisfactory to the Administrative Agent (i) admitting EIG or its Affiliate as a member of the Parent with one common unit and (ii) amending such limited liability company agreement to require approval of each holder of common units of the Parent prior to any voluntary filing for bankruptcy protection for the Parent of the Company.

(Forbearance Agreement § 7(b).) Also on December 28, 2015, IE Holdings enacted Amendment No. 1 to the Intervention Energy Holdings, LLC Second Amended and Restated Limited Liability Company Agreement (the “Amendment”)⁶ to include the unanimous consent requirement to file bankruptcy (the “Consent Provision”). (Zimmerman Decl. ¶ 34, EIG MTD ¶ 23, Amendment ¶ 4, D.I. 27, Ex. L.) To give effect to the Consent Provision, IE Holdings then issued a single common unit to EIG for a common capital contribution of \$1.00, making EIG a common member. (Zimmerman Decl. ¶ 34, EIG MTD ¶ 23, Amendment, Schedule A.)

*3 It is not disputed that, but for the Amendment, IE Holdings would have been authorized to seek federal bankruptcy relief.

DISCUSSION

[1] The parties have made several interesting arguments with respect to state law and contractual treatment of fiduciary obligations. EIG argues that an LLC that has abrogated its fiduciary responsibilities to the extent permitted by Delaware law may contract away its right to file bankruptcy at will.⁷ (EIG MTD ¶ 32.) EIG cites to cases in which courts have upheld consent provisions among LLC members.⁸ (EIG MTD ¶¶ 34–35 & n.55.) In contrast, the Debtors, relying upon the recent case of *In re Lake Michigan Beach Pottawattamie Resort LLC*, draw a parallel between the “golden share”⁹ given to EIG and a blocking director installed on the board of a special purpose entity (SPE), arguing that abrogating fiduciary duties is exactly what is fatal to EIG's argument—that the blocking member (or, in this case, holder of the “golden share”) must retain a duty to vote in the best interest of the potential debtor to comport with federal bankruptcy policy.¹⁰ (Debtors' Response 11–14.)

*4 In light of my disposition of the federal public policy issue which follows, and reluctant to accept the parties' invitation to decide what may well be a question of first impression of state law (i.e., determining the scope of LLC members' freedom to contract under applicable state law provisions) when an alternate ground for decision is present, I find it unnecessary to address these arguments.

[2] [3] [4] [5] [6] The Debtors note in their Response that it is axiomatic that a debtor may not contract away the right to a discharge in bankruptcy.¹¹ (Debtor's Response 8.) It has been said many times and many ways. “[P]repetition agreements purporting to interfere with a debtor's rights under the Bankruptcy Code are not enforceable.”¹² “If any terms in the Consent Agreement ... exist that restrict the right of the debtor parties to file bankruptcy, such terms are not enforceable.”¹³ “[A]ny attempt by a creditor in a private pre-bankruptcy agreement to opt out of the collective consequences of a debtor's future bankruptcy filing is generally unenforceable. The Bankruptcy Code pre-empts the private right to contract around its essential provisions.”¹⁴ “[I]t would defeat the purpose of the Code to allow parties to provide by contract that the provisions of the Code should not apply.”¹⁵ “It is a well settled principal that an advance agreement to waive the benefits conferred by the bankruptcy laws is wholly void as against public policy.”¹⁶

The rule is not new:

The agreement to waive the benefit of bankruptcy is unenforceable. To sustain a contractual obligation of this character would frustrate the object of the Bankruptcy Act, particularly of section 17 (11 U.S.C. § 35). This was held by the Supreme Judicial Court of Massachusetts, *Federal Nat. Bank v. Koppel*, 253 Mass. 157, 148 N.E. 379, 380 (Mass.1925), where it was said: “It would be repugnant to the purpose of the Bankruptcy Act to permit the circumvention of its object by the simple device of a clause in the agreement, out of which the provable debt springs, stipulating that a discharge in bankruptcy will not be pleaded by the debtor. The Bankruptcy Act would in the natural course of business be nullified in the vast majority of debts arising out of contracts, if this were permissible. It would be vain to enact a bankruptcy law with all its elaborate machinery for settlement of the estates of bankrupt debtors, which could so easily be rendered of no effect. The bar of the discharge under the terms of the Bankruptcy Act is not restricted to those instances where the debtor has not waived his right to plead it. It is universal and unqualified in terms. It affects all debts within the scope of its words. It would be contrary to the letter of section 17 of the Bankruptcy Act as we interpret it to uphold the waiver embodied in this note. So to do

would be incompatible with the spirit of that section. Its aim would largely be defeated.”

*5 There are other grounds for sustaining the action of the referee, but the one mentioned is enough.¹⁷

Even so long ago as 1912, the United States Supreme Court was forced to address parties attempting to circumvent the bankruptcy laws by “circuitry of arrangement.”¹⁸ Today's resourceful attorneys have continued that tradition.¹⁹

Yet, to contract away the right to seek bankruptcy relief is precisely what both parties here have attempted to accomplish. EIG “specifically negotiated Intervention's ability to file a voluntary bankruptcy proceeding.” (EIG MTD ¶ 23.) Throughout the EIG MTD, EIG emphasizes and insists upon its “*contracted-for protections, including the Consent Provision*” indisputably meant to block any voluntary bankruptcy filing. (EIG MTD ¶ 32.) In its Reply, EIG again emphasizes that “EIG [] *bought and paid* for its Common Unit (including all rights related thereto)....” (EIG Reply ¶ 14.) Because § 7(b) of the Forbearance Agreement requires, as a condition to the effectiveness of the agreement, that IE both amend its LLC Agreement to institute the unanimous Consent Provision and grant the blocking share, the intent of the parties is unmistakable.

Both parties argue that, were I to decide this issue for the other side, systemic disruption will follow. EIG warns that if I were to declare the Consent Provision here void as contrary to federal public policy, not only would I vitiate the will of state legislatures that LLC members be free to contract, but also that confusion will reign about the breadth of an LLC's right to contract.²⁰

The Debtors, on the other hand, argue that if I permit the enforcement of the Consent Provision, the landscape in debtor-creditor relations will be dramatically altered—that lenders will henceforth demand such a provision in every loan/forbearance agreement.²¹ True, lenders usually are not reticent to demand provisions that borrowers may often consider oppressive, but, as EIG's counsel replied at argument, as unwelcome as the consequence of doing so may be, a borrower can always say, “No.” A borrower can also choose to seek bankruptcy relief sooner than it would prefer, rather than agree to

any provision in a forbearance agreement that a borrower finds unacceptable.

*6 [7] The federal public policy to be guarded here is to assure access to the right of a person, including a business entity,²² to seek federal bankruptcy relief as authorized by the Constitution and enacted by Congress. It is beyond cavil that a state cannot deny to an individual such a right.²³ I agree with those courts that hold the same applies to a “corporate” or business entity, in this case an LLC.²⁴

A provision in a limited liability company governance document obtained by contract, the sole purpose and effect of which is to place into the hands of a single, minority equity holder the ultimate authority to eviscerate the right of that entity to seek federal bankruptcy relief, and the nature and substance of whose primary relationship with the debtor is that of creditor—not equity holder—and which owes no duty to anyone but itself in connection with an LLC's decision to seek federal bankruptcy relief, is tantamount to an absolute waiver of that right, and, even if arguably permitted by state law, is void as contrary to federal public policy.²⁵ Under the undisputed facts before me, to characterize the Consent Provision here as anything but an absolute waiver by the LLC of its right to seek federal bankruptcy relief would directly contradict the unequivocal intention of EIG to reserve for itself the decision of whether the LLC should seek federal bankruptcy relief. Federal courts have consistently refused to enforce waivers of federal bankruptcy rights. I now join them, and conclude that the Debtors possessed the necessary authority to commence their chapter 11 proceedings.

CONCLUSION

*7 For the reasons set forth above, the Motion to Dismiss is denied, in part.

An appropriate order will follow.

In re: INTERVENTION ENERGY HOLDINGS, LLC, et al.,¹ Debtors.

ORDER

Debtors' authority to file the chapter 11 cases;

AND NOW, this 3rd day June, 2016, upon consideration of the Motion to Dismiss the Chapter 11 Cases of Intervention Energy Holdings, LLC and Intervention Energy, LLC of EIG Energy Fund XV–A, L.P. (the “EIG MTD”) (D.I.27), and the Debtors' Response thereto, and the EIG Reply, and after oral argument and a hearing thereon, and for the reasons set forth in the foregoing Opinion, it is hereby **ORDERED** that:

the EIG MTD is **DENIED**, in part, with the respect to the issue of the

AND, it is further **ORDERED** that a status hearing will be held on June 7, 2016, at 10:00am in Bankruptcy Courtroom No. 5, 824 Market St., Fifth Floor, Wilmington, Delaware, to consider further scheduling and the remaining needs of the parties.

cc: Stuart M. Brown, Esquire²

All Citations

--- B.R. ----, 2016 WL 3185576, 62 Bankr.Ct.Dec. 179

Footnotes

- 1 By order dated May 25, 2016, this Court authorized joint administration of the following debtors in these chapter 11 cases: Intervention Energy Holdings, LLC; and Intervention Energy, LLC. D.I. 33. Items on the docket for Case No. 16–11247 are referred to as “D.I. ———.”
- 2 This Opinion constitutes the findings of fact and conclusions of law required by [Fed. R. Bankr. P. 7052](#). This Court has jurisdiction over this matter pursuant to [28 U.S.C. §§ 1334](#) and 157(a). This contested matter is a core proceeding pursuant to [28 U.S.C. § 157\(b\)\(1\)](#) and [\(b\)\(2\)\(A\) & \(O\)](#).
- 3 The same day, the Debtors filed the Declaration of John R. Zimmerman in Support of Chapter 11 Petitions and First Day Motions (the “Zimmerman Decl.”). D.I. 11. The Zimmerman Decl. was not admitted as part of the hearing record on June 2, 2016; however, I will take judicial notice of it for this purpose only and only for undisputed background facts. “[Federal Rule of Evidence 201](#) authorizes a court to take judicial notice of an adjudicative fact if that fact is ‘not subject to reasonable dispute’ ... as long as it is not unfair to a party to do so and does not undermine the trial court’s factfinding authority.” [Nantucket Inv’rs II v. California Fed. Bank \(In re Indian Palms Assocs.\)](#), 61 F.3d 197, 205 (3d Cir.1995). The parties stipulated to the admission of the relevant documents. D.I. 61.
- 4 EIG Energy Fund XV, L.P., movant EIG Energy Fund XV–A, L.P., EIG Energy Fund XV–B, L.P., and EIG Energy Fund XV (Cayman), L.P. are funds managed and advised by EIG Management Company LLC. For ease of reference, the movant, EIG Energy Fund XV–A, L.P., is hereinafter referred to as “EIG.”
- 5 In the EIG MTD, EIG also urges dismissal for two additional reasons: (1) the Debtors are unable to confirm a plan, and (2) the chapter 11 filings are made in bad faith. EIG MTD 3–5. I decided to bifurcate determination of the issues, reach first the corporate authority issue, and address only that here.
- 6 Amending § 5.1(d) of the Operating Agreement.
- 7 “A limited liability company agreement may provide for the limitation or elimination of any and all liabilities for breach of contract and breach of duties (including fiduciary duties) of a member, manager or other person to a limited liability company or to another member or manager or to another person that is a party to or is otherwise bound by a limited liability company agreement; provided, that a limited liability company agreement may not limit or eliminate liability for any act or omission that constitutes a bad faith violation of the implied contractual covenant of good faith and fair dealing.” [6 Del. C. § 18–1101\(e\)](#).
- 8 See [In re Orchard at Hansen Park, LLC](#), 347 B.R. 822, 827 (Bankr.N.D.Tex.2006) (upholding unanimous consent provision in LLC operating agreement) (LLC debtor). EIG cites [In re Avalon Hotel Partners, LLC](#), 302 B.R. 377, 381 (Bankr.D.Or.2003) (LLC debtor), as evidence of a court “upholding 75% member consent requirement in LLC operating agreement and dismissing voluntary case.” EIG MTD ¶ 34 n.55. However, although the [Avalon Hotel Partners](#) court stated that it *would have* dismissed the case for violating the consent provision, the filing was subsequently ratified and the motion to dismiss denied. [302 B.R. at 381, 385](#).

Moreover, [Avalon Hotel Partners](#) runs counter to EIG’s argument. There, the [Avalon Hotel Partners](#) court considered a promise not to file a chapter 11 petition made by an LLC and its manager to a state court. *Id.* at 383. The court considered the impact of the promise on the LLC’s creditors and minority members who were not parties to the state

court litigation. *Id.* The court held that to uphold the promise would be analogous to upholding a covenant not to file bankruptcy, and that, despite the principle of judicial estoppel, the promise was unenforceable as a matter of public policy. *Id.* at 382–83.

The court subsequently dealt with the broken promise as one factor in a bad faith analysis. *Id.* at 383. Finally, despite that the LLC and its manager “played fast and loose” with the state court, the court considered the subsequent ratification and held that the filing was in good faith. *Id.* at 383–384.

- 9 This term has been used mainly to refer to a government retaining control over privatized companies. *Investopedia—Golden Share*, INVESTOPEDIA, <http://www.investopedia.com/terms/g/goldenshare.asp> (last visited June 2, 2016). “A type of share that gives its shareholder veto power over changes to the company's charter. A golden share holds special voting rights, giving its holder the ability to block another shareholder from taking more than a ratio of ordinary shares. Ordinary shares are equal to other ordinary shares in profits and voting rights. These shares also have the ability to block a takeover or acquisition by another company.” *Id.* Golden shares are now outlawed in the European Union. *Id.*
- 10 See 547 B.R. 899, 911–13 (Bankr.N.D.Ill.2016) (LLC debtor).
- 11 Citing, *inter alia*, *Klingman v. Levinson*, 831 F.2d 1292, 1296 n.3 (7th Cir.1987) (“For public policy reasons, a debtor may not contract away the right to a discharge in bankruptcy.”) (individual debtor).
- 12 *MBNA Am. Bank, N.A. v. Trans World Airlines, Inc. (In re Trans World Airlines, Inc.)*, 275 B.R. 712, 723 (Bankr.D.Del.2002) (corporate debtor).
- 13 *Hayhoe v. Cole (In re Cole)*, 226 B.R. 647, 651–54 (9th Cir. BAP 1998) (collecting cases) (individual debtor).
- 14 *In re Pease*, 195 B.R. 431, 435 (Bankr.D.Neb.1996) (individual debtor).
- 15 *In re 203 N. LaSalle St. P'ship*, 246 B.R. 325, 331 (Bankr.N.D.Ill.2000) (partnership debtor).
- 16 *In re Tru Block Concrete Prods., Inc.*, 27 B.R. 486, 492 (Bankr.S.D.Cal.1982) (corporate debtor); *Fallick v. Kehr*, 369 F.2d 899, 906 (2d Cir.1966) (Friendly, J., dissenting) (individual debtor). See also *In re Citadel Properties, Inc.*, 86 B.R. 275, 275 (Bankr.M.D.Fla.1988) (“The Court pauses to suggest that a total prohibition against filing for bankruptcy would be contrary to Constitutional authority as well as public policy.”) (corporate debtor).
- 17 *In re Weitzen*, 3 F.Supp. 698, 698–99 (S.D.N.Y.1933) (individual debtor).
- 18 *Nat'l Bank of Newport v. Nat'l Herkimer Cnty. Bank*, 225 U.S. 178, 184, 32 S.Ct. 633, 56 L.Ed. 1042 (1912) (“To constitute a preference, it is not necessary that the transfer be made directly to the creditor. It may be made to another, for his benefit. If the bankrupt has made a transfer of his property, the effect of which is to enable one of his creditors to obtain a greater percentage of his debt than another creditor of the same class, circuity of arrangement will not avail to save it.”).
- 19 See, e.g., *NHL v. Moyes, No. CV–10–01036–PHX–GMS*, 2015 WL 7008213, at *8 (D.Ariz. Nov. 12, 2015) (holding that “If a contractual term denying the debtor parties the right to file bankruptcy is unenforceable, then a contractual term prohibiting the non-debtor party that controls the debtors from causing the debtors to file bankruptcy is equally unenforceable. Parties cannot accomplish through ‘circuity of arrangement’ that which would otherwise violate the Bankruptcy Code.”) (LLC debtor).
- 20 EIG urges consideration of *CML V, LLC v. Bax*, 28 A.3d 1037 (Del.2011), to emphasize the breadth of discretion afforded to Delaware LLCs. EIG Reply ¶ 12. *Bax* nowhere addresses federal bankruptcy law.
- 21 See, e.g., *Continental Ins. Co. v. Thorpe Insulation Co. (In re Thorpe Insulation Co.)*, 671 F.3d 1011 (9th Cir.2012) (“[I]t is against public policy for a debtor to waive the prepetition protection of the Bankruptcy Code.... This prohibition of prepetition waiver has to be the law; otherwise, astute creditors would routinely require their debtors to waive.”) (internal citations omitted) (corporate debtor).
- 22 Under the Bankruptcy Code, “person” is defined to include “individual, partnership, and corporation....” 11 U.S.C. § 101(41).
- 23 See Bankruptcy Code §§ 524(c) (discharge of debt may be waived only after post-petition procedures are followed), and 727(a)(10) (waiver of discharge of all debts is permitted only after bankruptcy court approval).
- 24 See *In re Lake Michigan Beach Pottawattamie Resort LLC*, 547 B.R. 899, 912 (Bankr.N.D.Ill.2016) (“In the same way that individuals may not contract away their bankruptcy rights, corporations should be similarly constrained.”) (LLC debtor); *In re Bay Club Partners–472, LLC*, No. 14–30394–rld11, 2014 WL 1796688, at *4–5 (Bankr.D.Or. May 6, 2014) (holding prepetition waivers of bankruptcy protection are unenforceable as against public policy) (LLC debtor); *In re Shady Grove Tech Ctr. Assocs. Ltd. P'ship*, 216 B.R. 386, 390 (Bankr.D.Md.1998) *supplemented*, 227 B.R. 422 (Bankr.D.Md.1998) (corporate contractual “prohibitions against the filing of a bankruptcy case are unenforceable”) (partnership debtor); see also Bankruptcy Code §§ 109, 302, 303 (clearly reflecting congressional intent about when, and under what circumstances, a person is entitled to relief under Title 11 U.S.C.).

- 25 EIG cites to *In re Global Ship Sys., LLC*, 391 B.R. 193 (Bankr.S.D.Ga.2007) (LLC debtor), and the unpublished case *In re DB Capital Holdings, LLC v. Aspen HH Ventures, LLC (In re DB Capital Holdings, LLC)*, No. 10–046, 463 B.R. 142, 2010 WL 4925811 (10th Cir. BAP Dec. 6, 2010) (LLC debtor), as direct contrary authority. Closest on point is *Global Ship Sys.* in which a creditor who also owned Class B equity interests in the LLC valued initially at 20% was held to “wear two hats” and therefore could block a bankruptcy where an entity who is exclusively a creditor could not. *Global Ship Sys.*, 391 B.R. at 199, 203. However, the method by which the creditor in *Global Ship Sys.* received its equity interests was not subject to question or analysis. There is no way to compare that creditor's interests to EIG's contracting for one golden share solely for the purpose to control any potential filing. The *DB Capital Holdings* court upheld an absolute bar on filing for bankruptcy that the LLC's Manager alleged was “ ‘executed at the demand, and for the sole benefit of’ Debtor's main secured creditor....” *DB Capital Holdings*, 2010 WL 4925811, at *2–3. The court held that, absent coercion, such agreement is not void as against public policy. I disagree.
- 1 By order dated May 25, 2016, this Court authorized joint administration of the following debtors in these chapter 11 cases: Intervention Energy Holdings, LLC; and Intervention Energy, LLC. D.I. 33. Items on the docket for Case No. 16–11247 are referred to as “D.I. —.”
- 2 Counsel shall serve copies of this Opinion and Order on all interested parties and file a Certificate of Service with the Court.

made.” [14-1] at 17. The Bankruptcy Court overruled Creditor’s objection to Section 6.4 for three reasons, including that “such objection is premature in that the Trustee has not, to date, relied on [Section] 6.4 as a basis for the Estate’s objections to [Creditor’s] proof of claim (Claim 14-1) or amended proof of claim (Claim No. 14-2).” [1-3] at 3.

On appeal, Creditor argues that the Bankruptcy Court’s approval of Section 6.4 of the Plan violates the best interests of creditors test, the fair and equitable test, and other provisions of the Code. The Plan Proponents disagree on the merits and also assert that Creditor lacks standing to appeal this issue because the Plan Proponents did not object to and the Bankruptcy Court did not disallow Creditor’s Amended Proof of Claim on the ground that it was untimely.

The Court concludes that, regardless of Creditor’s standing, it would be premature to address Creditor’s challenges to Section 6.4 because the Bankruptcy Court has made no findings as to the timeliness of Creditor’s claims under that provision. The Court has authority to remand to the bankruptcy court to clarify and make additional factual findings where appropriate. See, e.g., *In re Sentinel Mgmt. Grp., Inc.*, 728 F.3d 660 (7th Cir.2013) (remand was required for district court to clarify internally inconsistent factual findings); *City of Milwaukee v. Gillespie*, 487 B.R. 916 (E.D.Wis.2013) (absence of a determination by the bankruptcy court of the reasonably equivalent values of Chapter 13 debtors’ properties warranted remand of debtors’ fraudulent transfer avoidance proceedings). Remand is the appropriate course here. If the Bankruptcy Court concludes that Creditor’s Amended Proof of Claim was timely filed, that will resolve the issue. If the Bankruptcy Court concludes that Creditor’s Amended Proof of

claim was untimely, then remand will give the Bankruptcy Court the opportunity to address, in the first instance, Creditor’s arguments concerning why its Amended Proof of Claim nonetheless should be allowed.

IV. Conclusion

For the reasons set forth below, the Bankruptcy Court’s decision is reversed in part and the case is remanded to the Bankruptcy Court to: (1) determine the appropriate rate of postpetition interest to award Creditor in light of this opinion, Creditor’s contracts, and any relevant equitable considerations; (2) determine whether Creditor’s amended proof of claim is timely under Section 6.4 of the Plan and, if it is not, address Creditor’s arguments concerning why its amended proof of claim should nonetheless be accepted; and (3) make a distribution of funds in the appropriate amount to Creditor. Finally, the parties are requested to file on the docket in Case No. 15-cv-10512 (the related appeal) no later than April 15, 2016 a statement of position in regard to whether that appeal is moot in light of this opinion.



**IN RE: LAKE MICHIGAN BEACH
POTTAWATTAMIE RESORT
LLC, Debtor.**

Case No. 15bk42427

United States Bankruptcy Court,
N.D. Illinois, Eastern Division.

Signed April 5, 2016

Background: Lender moved to dismiss Chapter 11 case filed on behalf of limited liability company (LLC) as allegedly filed in bad faith or as filed contrary to lan-

guage in LLC's operating agreement that required lender to consent to any such bankruptcy filing.

Holdings: The Bankruptcy Court, Timothy A. Barnes, J., held that:

- (1) lender failed to satisfy burden of showing that case was not filed in good faith solely because case was filed on eve of mortgage foreclosure sale in order to protect substantial equity that the LLC had in its resort property, and
- (2) consent provision in operating agreement was void as against public policy. Motion denied.

1. Bankruptcy ¶2045, 2123

Bankruptcy judge, even as non-Article-III judge, had constitutional authority to enter final order on motion to dismiss Chapter 11 case under "for cause" dismissal provision. U.S. Const. Art. 3, § 1 et seq.; 11 U.S.C.A. § 1112(b).

2. Bankruptcy ¶3593

On motion to dismiss Chapter 11 case under "for cause" dismissal provision, bankruptcy court could take judicial notice of contents of its docket. 11 U.S.C.A. § 1112(b); Fed. R. Evid. R. 201.

3. Bankruptcy ¶3593

Burden of proof is on party seeking to dismiss Chapter 11 case under "for cause" dismissal provision, and party must satisfy that burden by preponderance of the evidence. 11 U.S.C.A. § 1112(b).

4. Bankruptcy ¶3502.1

Lack of good faith in filing for Chapter 11 relief can constitute "cause" for dismissal of case under "for cause" dismissal provision. 11 U.S.C.A. § 1112(b).

5. Bankruptcy ¶3502.10

In deciding whether to dismiss Chapter 11 case as "bad faith" filing, courts look at each bankruptcy filing on case-by-case

basis to determine whether factors indicative of debtor's good or bad faith are present. 11 U.S.C.A. § 1112(b).

6. Bankruptcy ¶3502.10

In deciding whether to dismiss Chapter 11 case as "bad faith" filing, bankruptcy court would consider, as non-exhaustive, non-binding factors to guide its decision, the so-called *Tekena* factors: (1) whether debtor has few or no unsecured creditors; (2) whether there had been a previous bankruptcy petition by debtor or related entity; (3) any improper prepetition conduct by debtor; (4) whether petition effectively allowed debtor to evade court orders; (5) lack of debts to non-moving creditors; (6) whether petition was filed on eve of foreclosure; (7) that foreclosed property is sole or major asset of debtor; (8) debtor's lack of on-going business or employees; (9) lack of possibility of reorganization; (10) debtor's lack of sufficient income to operate; (11) absence of pressure from non-moving creditors; (12) that case is essentially a two-party dispute; (13) that corporate debtor was formed and received title to its major assets immediately prepetition; and (14) that petition was filed solely to create automatic stay. 11 U.S.C.A. § 1112(b).

7. Bankruptcy ¶3502.10

Mortgagee moving to dismiss Chapter 11 case filed by limited liability company (LLC) as "bad faith" filing failed to satisfy burden of showing that case was not filed in good faith solely because case was filed on eve of mortgage foreclosure sale in order to protect substantial equity that the LLC had in its resort property, its only major asset, or because LLC, which ran a seasonal resort, did not currently have and business operations; LLC had at least two creditors other than mortgagee, had no prior history of bankruptcy filings, and was legitimately using bankruptcy system

to obtain a breathing spell in order to become cash-flow positive when it was clearly balance-sheet solvent. 11 U.S.C.A. § 1112(b).

8. Bankruptcy ⇌2926

Claims scheduled by debtor in Chapter 11 case are presumptively valid until adjudicated otherwise. 11 U.S.C.A. § 1111(a).

9. Bankruptcy ⇌3502.10

Chapter 11 debtor’s poor prepetition payment history, a factor symptomatic of most debtors, is of very limited relevance to decision whether to dismiss Chapter 11 case as “bad faith” filing. 11 U.S.C.A. § 1112(b).

10. Bankruptcy ⇌3502.10

Filing of Chapter 11 petition on eve of a foreclosure or eviction does not, by itself, establish that petition is “bad faith” filing, so as to provide grounds for dismissing case under “for cause” dismissal provision. 11 U.S.C.A. § 1112(b).

See publication Words and Phrases for other judicial constructions and definitions.

11. Bankruptcy ⇌3502.10

Mere fact that Chapter 11 case is single asset real estate case does not render it subject to being dismissed as “bad faith” filing. 11 U.S.C.A. § 1112(b).

See publication Words and Phrases for other judicial constructions and definitions.

12. Bankruptcy ⇌2223, 3501

Chapter 11 relief is not reserved for only operating businesses; debtors in Chapter 11 cases may refinance debts or sell all or part of their assets in order to maximize value in an operational or nonoperational setting.

13. Bankruptcy ⇌3502.5

Chapter 11 debtor may, in good faith, use bankruptcy system to give it a breathing spell to become cash-flow solvent when it is balance-sheet solvent.

14. Bankruptcy ⇌2255.1

Bankruptcy court had to apply Michigan corporate governance law in determining whether bankruptcy filing by Michigan limited liability company (LLC) was a valid corporate action.

15. Corporations and Business Organizations ⇌3621, 3633

Under Michigan law, language in limited liability company’s (LLC’s) operating agreement can override default rule that matters submitted for vote by members of LLC need be approved only by majority of members. Mich. Comp. Laws Ann. § 450.4502(8).

16. Bankruptcy ⇌2256

Corporate formalities and state corporate law must be satisfied in connection with corporate bankruptcy filings, and except in very specific circumstances, an improperly authorized corporate bankruptcy filing is infirm.

17. Bankruptcy ⇌2256

Long-standing policy against contracting away bankruptcy benefits is not necessarily controlling when what defeats the rights in question is corporate control document instead of contract.

18. Bankruptcy ⇌2256

Essential playbook for a successful “blocking director” structure, pursuant to which director chosen by corporate creditor may permissibly be granted power to block the filing of bankruptcy petition by corporation, is that director must be subject to normal fiduciary duties of corporate director, and therefore in some circumstances vote in favor of bankruptcy filing,

even if it is not in best interests of creditor by which director was chosen.

19. Bankruptcy \S 2255.1

Corporations and Business Organizations \S 3621

Language in limited liability company's (LLC's) operating agreement, pursuant to which, in exchange for mortgage lender's forbearance in not exercising its rights upon LLC's default in its payment obligations under mortgage note, lender was installed as "special member" of the LLC whose consent was required for any major actions, including filing of bankruptcy petition on LLC's behalf, was void as against public policy, where operating agreement also provided that lender, in exercising its veto rights as "special member," would have "no duty or obligation to give any consideration to any interest of or factors affecting the Company or the Members."

20. Corporations and Business Organizations \S 3633

Under Michigan law, members of limited liability company (LLC) have duty to consider interests of entity and not only their own interests.

Francisco Connell and Miriam R. Stein, Chuhak & Tecson, P.C., Chicago, IL, Attorneys for Debtor.

Jamie L. Burns, Levenfeld Pearlstein, LLC, Chicago, IL, Attorney for BCL-Bridge Funding LLC.

MEMORANDUM DECISION

TIMOTHY A. BARNES, Judge

The matter before the court arises out of the Motion To Dismiss Case [Dkt. No. 11] (the "*Motion*"), filed by BCL-Bridge

Funding LLC ("*BCL*"), seeking dismissal for cause under section 1112(b) of the Bankruptcy Code (as defined below) of the chapter 11 case of Lake Michigan Beach Pottawattamie Resort LLC (the "*Debtor*"). BCL alleges that because the Debtor filed its bankruptcy petition on the eve of foreclosure and without BCL's approval as a member of the Debtor, the case was filed in bad faith and must be dismissed.

The matter was argued before the court on January 27, 2016 (the "*Hearing*") and the court delivered its ruling orally on March 2, 2016. For the reasons set forth herein, the court holds that BCL failed to show that the Debtor filed this case in bad faith. Further, the Debtor was not prohibited from filing the case under its existing corporate control documents.

JURISDICTION

The federal district courts have "original and exclusive jurisdiction" of all cases under title 11 of the United States Code (the "*Bankruptcy Code*"). 28 U.S.C. § 1334(a). The federal district courts also have "original but not exclusive jurisdiction" of all civil proceedings arising under title 11 of the United States Code, or arising in or related to cases under title 11. 28 U.S.C. § 1334(b). District courts may, however, refer these cases to the bankruptcy judges for their districts. 28 U.S.C. § 157(a). In accordance with section 157(a), the District Court for the Northern District of Illinois has referred all of its bankruptcy cases to the Bankruptcy Court for the Northern District of Illinois. N.D. Ill. Internal Operating Procedure 15(a).

[1] A bankruptcy judge to whom a case has been referred may enter final judgment on any proceeding arising under the Bankruptcy Code or arising in a case under title 11. 28 U.S.C. § 157(b)(1). A proceeding for dismissal of a bankruptcy

case under section 1112(b) may only arise in a case under title 11 and is a matter in which a bankruptcy judge has constitutional authority to enter a final order. 28 U.S.C. § 157(b)(2)(A); *In re NNN 123 N. Wacker, LLC*, 510 B.R. 854, 857 (Bankr. N.D.Ill.2014) (Schmetterer, J.).

Accordingly, final judgment is within the scope of the court's authority.

PROCEDURAL HISTORY

In considering the relief sought by BCL, the court has considered the evidence and argument presented by the parties at the Hearing, has reviewed the Motion, the attached exhibits submitted in conjunction therewith, and has reviewed and found each of the following of particular relevance:

- (1) Voluntary Petition for Non-Individuals Filing for Bankruptcy [Dkt. No. 1];
- (2) Debtor's Response to BCL-Bridge Funding LLC's Motion to Dismiss [Dkt. No. 25];
- (3) Amended Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders [Dkt. No. 29];
- (4) Amended Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy [Dkt. No. 31];
- (5) Amended Statement of Financial Affairs for Non-Individuals [Dkt. No. 32];
- (6) Amended Schedules A/B, D, E/F, G, H [Dkt. No. 34]; and
- (7) BCL-Bridge Funding LLC's Reply in Support of Motion to Dismiss Case [Dkt. No. 37].

1. Property in Streamwood, Lemont, Bartlett and Roselle, Illinois held in title by other parties also secured the loan and line of credit (the "Third Party Property"). The value of the

[2] Though the foregoing items do not constitute an exhaustive list of the filings in the case, the court has taken judicial notice of the contents of the docket in this matter. See *Levine v. Egidi*, No. 93C188, 1993 WL 69146, at *2 (N.D.Ill. Mar. 8, 1993) (authorizing a bankruptcy court to take judicial notice of its own docket); *In re Brent*, 458 B.R. 444, 455 n. 5 (Bankr. N.D.Ill.1989) (Goldgar, J.) (recognizing same).

BACKGROUND

This case is essentially a fight over the main asset of the Debtor, a vacation resort in Coloma, Michigan that hosts multiple condominium units and a cabin that are seasonally rented, and undeveloped land, all on 15.5 acres (the "Property"). With respect to the Property, the Debtor granted a mortgage and assignment of rents to BCL on December 18, 2014 to secure a \$1,336,000.00 loan and \$500,000.00 line of credit given by BCL to the Debtor.¹ BCL recorded the mortgage on January 22, 2015.

The Debtor defaulted on its monetary obligations to BCL in July 2015. In exchange for a promise from BCL that it would forbear from pursuing remedies for the default until October 21, 2015, the Debtor signed an agreement (the "Forbearance Agreement") on August 21, 2015 wherein the Debtor stipulated to a monetary default in the amount of \$2,641,147.89 and promised to pay that amount in full by October 21, 2015. The Debtor also made further promises to BCL, one of which was to execute a third amendment to its operating agreement (the "Third Amendment")² establishing BCL as the fifth

Third Party Property has not been addressed by the parties.

2. The Third Amendment, as provided to the court as an attachment to the Debtor's re-

member of the Debtor, the “Special Member,” with the right to approve or disapprove any “Material Action” by the Debtor. Third Amendment, Articles 12.2(vii), 12.3(i), p.2. Material Action is defined by the Third Amendment to mean any action:

(A) to consolidate or merge the Company with or into any person, (B) to sell all or substantially all of the assets of the Company, (C) to institute any litigation or other legal proceedings whatsoever, (D) *to institute proceedings to have the Company be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against the Company or file a petition seeking, or consent to, reorganization or relief with respect to the Company under any applicable federal or state law relating to bankruptcy, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or a substantial part of its property, or make any assignment for the benefit of creditors of the Company, or admit in writing the Company’s inability to pay its debts generally as they become due, or declare of effectuate a moratorium on the payment of any obligation, or take action in furtherance of any such action, or (E) to dissolve or liquidate the Company.*

Id. at Article 12.2(vi), p.2 (emphasis added). BCL, in its capacity as the Special Member of the Debtor, has no interest in the profits or losses of the Debtor, no right to distributions or tax consequences and is not required to make capital contributions to the Debtor—essentially, BCL was kept separate and apart from the Debtor in all ways but for its authority to block the Debtor from petitioning for bankruptcy relief. *Id.* at Article 12.4(iii), p. 2. Further,

sponse to the Motion, was executed by all of the original members of the Debtor, but was

when exercising its rights under the Third Amendment, BCL is not obligated to consider any interests or desires other than its own and has “no duty or obligation to give any consideration to any interest of or factors affecting the Company or the Members.” *Id.* at Article 12.4(iv), pp. 2–3.

Shortly following the execution of the Third Amendment, the Debtor once again failed to fulfill its monetary obligations to BCL, by failing to meet the October 21, 2015 deadline under the Forbearance Agreement to pay BCL in full. Following this default, BCL filed a foreclosure complaint against the Third Party Property on November 2, 2015 and against the Property on November 3, 2015. With respect to the latter, BCL published notice of a December 17, 2015 non-judicial foreclosure sale for three weeks in the Berrien County Record, the local newspaper for where the Property is located.

On December 16, 2015 (the “*Petition Date*”), the Debtor petitioned for relief under chapter 11 of the Bankruptcy Code. As a result, the foreclosure sale was not held as scheduled. Attached to the Debtor’s petition is a consent to file bankruptcy signed by four members of the Debtor. A signature on behalf of BCL, as the Special Member, was not included. The Debtor agrees that BCL has not consented to the Debtor’s bankruptcy petition and that this case was filed on the eve of the foreclosure sale.

The Debtor has provided broker price opinions for each of the rental units and the undeveloped acreage that support a valuation of the Property, as of the Petition Date, exceeding the \$6,000,000.00 value scheduled by the Debtor. BCL has not filed a claim, but given the amount set forth in the Forbearance Agreement less

not dated and was not executed by anyone for BCL as the Special Member.

than six months prior to the Petition Date, there appears to be little doubt that there is equity in the Property, even if value of the Third Party Property were not considered. Unsurprisingly, therefore, BCL does not dispute the Debtor's allegation that there is equity in the Property or that any of the amounts due to it are unsecured by the value of the Property and the Third Party Property.

DISCUSSION

BCL argues that the Debtor's bankruptcy petition is a bad faith litigation tactic to stall the foreclosure process and, accordingly, grounds for dismissal exist. Such grounds are asserted on motions to dismiss on a regular basis in this court. Had that been the extent of BCL's argument, this matter could have been handled summarily, as will be seen below. The argument with respect to the validity of the Debtor's bankruptcy petition, however, requires more. The court will address all arguments in turn.

A. Dismissal of a Chapter 11 Case for Cause

[3] A court may dismiss a chapter 11 case if cause is established and such cause merits dismissal rather than conversion. 11 U.S.C. § 1112(b). The party seeking dismissal bears the burden of proof by a preponderance of the evidence. *In re Woodbrook Assocs.*, 19 F.3d 312, 317 (7th Cir.1994). Cause, however, is not definitely established by the statute. Section 1112(b)(4) provides courts with a nonexclusive list of factors that may constitute cause for dismissal, 11 U.S.C. § 1112(b)(4), which list does not include bad faith.

3. Though commonly referred to as the "*Tekena* factors" in this jurisdiction, as noted in *Tekena*, these factors are actually set forth in an earlier opinion by Judge Lee of the District

1. Bad Faith

[4, 5] A chapter 11 case is infirm if not filed in good faith and, therefore, courts in this Circuit have found that the lack of good faith can constitute "cause" for dismissal of a case under section 1112(b). *In re Madison Hotel Associates*, 749 F.2d 410, 426 (7th Cir.1984); *In re Tekena USA, LLC*, 419 B.R. 341, 346 (Bankr. N.D.Ill.2009) (Cox, J.). As with intent, courts look at each bankruptcy filing on a case-by-case basis to determine whether factors indicative of a debtor's good or bad faith are present. *See Tekena USA, LLC*, 419 B.R. at 346; *In re S. Beach Sec., Inc.*, 341 B.R. 853, 857 (N.D.Ill.2006) (citing *In re Integrated Telecom Express, Inc.*, 384 F.3d 108, 118 (3d Cir.2004)) ("Each bankruptcy petition, however, arises under different circumstances and raises particular concerns, requiring a court to examine the debtor's unique situation to determine where 'a petition falls along the spectrum ranging from the clearly acceptable to the patently abusive.'").

[6, 7] *Tekena* and the factors enumerated therein have been cited by many creditors seeking dismissal, including BCL, as the checklist that a court should use to examine whether a debtor acted in good or bad faith in filing its bankruptcy petition. 419 B.R. 341. The so-called "*Tekena* factors"³ are not binding on this court, however, and are, as with the factors set forth in section 1112(b), neither exhaustive nor mandatory. The court will, nonetheless, consider them in the totality of this case. The factors are:

1. The debtor has few or no unsecured creditors.

Court for the Northern District of Indiana. *In re Grieshop*, 63 B.R. 657, 663 (N.D.Ind. 1986).

2. There has been a previous bankruptcy petition by the debtor or a related entity.

3. The pre-petition conduct of the debtor has been improper.

4. The petition effectively allows the debtor to evade court orders.

5. There are few debts to non-moving creditors.

6. The petition was filed on the eve of foreclosure.

7. The foreclosed property is the sole or major asset of the debtor.

8. The debtor has no on-going business or employees.

9. There is no possibility of reorganization.

10. The debtor's income is not sufficient to operate.

11. There was no pressure from non-moving creditors.

12. Reorganization essentially involves the resolution of a two-party dispute.

13. A corporate debtor was formed and received title to its major assets immediately before the petition.

14. The debtor filed solely to create the automatic stay.

Tekena, 419 B.R. at 346. The factors BCL relies on in making its bad faith argument in the Motion are factors 1, 2, 6, 7, 8, 9 and 12, though at the Hearing, counsel for BCC summarily argued that all *Tekena* factors were met and no clearer case for dismissal than this case could exist. The arguments made in the Motion are the grounds upon which BCL primarily relies and are, coincidentally, the only ones bearing any relation to this case. The court will, therefore, address only the factors enumerated in the Motion without considering the remaining *Tekena* factors.

a. Does the Debtor have few or no unsecured creditors? (*Tekena* factor # 1)

BCL argues that the first *Tekena* factor is satisfied because it is the only "real" secured creditor of the Debtor. BCL puts so much stock in this assertion that it italicizes the term "real" when using it in the Motion.

This assertion is, however, flawed. There is no test as to whether a creditor is "real" or not in the relevant statutory or case law. Further, concentrating on only secured creditors can lead to mistaken results.

BCL has not filed a claim in this case. Instead, other than the exhibits attached to the Motion, BCL relies on the Debtor's schedules, listing BCL as a secured creditor, to establish its status. The exhibits, of course, are not evidence, while the Debtor's schedules, signed under penalty of perjury, may be. Thus, the only evidence the court has is the Debtor's schedules.

[8] Concentrating on the schedules, however, leads to the unavoidable conclusion that BCL is not the only creditor. The Debtor also scheduled Pottawattamie Resort Condominium Association as having a secured claim and Erica Friedman as holding an unliquidated, unsecured claim, based on pending litigation. No objections to the scheduling of these claims has been raised, and in a chapter 11 case, scheduled claims are presumptively valid until adjudicated otherwise. 11 U.S.C. § 1111(a). The Debtor, therefore, has at least three creditors.

BCL's argument that it is the only "real" creditor in this case, therefore, fails under the Bankruptcy Code and under its own analysis. The first *Tekena* factor is not satisfied.

b. Has the Debtor or a related entity previously petitioned for bankruptcy relief? (*Tekena* factor # 2)

[9] BCL’s argument regarding the second *Tekena* factor—whether there was a previous bankruptcy petition by the Debtor or a related entity—strains its credibility. BCL argues that the Debtor’s default somehow equates to a prior bankruptcy. That the Debtor was in default to BCL is not indicative of bad faith.⁴ If such were the case, most debtors would have filed their cases in bad faith. The Debtor has not filed any previous bankruptcy petitions and the second factor is clearly not satisfied.

c. Did the Debtor file this case on the eve of foreclosure? (*Tekena* factor # 6)

BCL repeatedly argues in the Motion and argued at the Hearing that the most compelling indication of bad faith is the timing of the Debtor’s bankruptcy petition—on the eve of foreclosure. The Debtor does not dispute the timing but argues that the foreclosure would have resulted in a large windfall to BCL and that the petition for bankruptcy relief was filed to preserve equity in the Property.

[10] This is, in the court’s view, the most abused of the *Tekena* factors. Parties presume that if this factor is satisfied, bad faith must exist. This is simply not correct. “It is well settled, of course, that the filing of a bankruptcy petition on the eve of a foreclosure or eviction does not, by itself, establish a bad faith filing.” *In re Eclair Bakery Ltd.*, 255 B.R. 121, 137 (Bankr.S.D.N.Y.2000). Again, bad faith requires this court to review the totality of

4. “Debtor’s prepetition payment behavior is relevant only insofar as it would suggest that equally unimpressive postpetition payment behavior will ensue. However, it must be recalled that poor prepetition payment histo-

ries are systematic of most debtors and hence this factor is, in itself, of very limited relevance.” *In re Tashjian*, 72 B.R. 968, 974 (Bankr.E.D.Pa.1987).

d. Is the Property the sole or major asset of the Debtor? (*Tekena* factor # 7)

[11] BCL also is correct that the seventh factor is satisfied—the Property is the major asset of the Debtor. Again, this factor is not outcome determinative. Even assuming that this were the *only* asset of the Debtor, this alone would not suffice.

[T]he fact that this is a single asset real estate case does not render it a bad faith filing. The Bankruptcy Code contains no provision to this effect, and, to the contrary, was recently amended to deal specifically with certain single asset real estate cases. See 11 U.S.C. §§ 101(51B) (defining ‘single asset real estate’) and 362(d)(3) (providing special grounds for relief from the automatic stay in single asset real estate cases), each added to the Code by Section 218 of the Bankruptcy Reform Act of 1994. See also *In re James Wilson Assocs.*, 965 F.2d 160 (7th Cir.1992) (affirming confirmation of Chapter 11 plan in single asset real estate case).

In re 203 N. LaSalle St. Ltd. P’ship, 190 B.R. 567, 590 (Bankr.N.D.Ill.1995) (Wed-off, J.), *aff’d Bank of Am., Illinois v. 203 N. LaSalle St. P’ship*, 195 B.R. 692 (N.D.Ill.1996), *aff’d In re 203 N. LaSalle St. P’ship*, 126 F.3d 955 (7th Cir.1997), *rev’d on other grounds, Bank of Am. Nat. Trust & Sav. Ass’n v. 203 N. LaSalle St. P’ship*, 526 U.S. 434, 119 S.Ct. 1411, 143

L.Ed.2d 607 (1999). The court cannot conclude that a case is filed in bad faith simply because there is but one asset around which to reorganize.

- e. Does the Debtor have on-going business? (*Tekena* factor # 8)

[12] The Debtor is not currently operating. Chapter 11 relief, however, is not reserved for only operating businesses. Debtors in chapter 11 cases may refinance debts or sell all or part of their assets in order to maximize value in an operational or nonoperational setting. *In re Chicago Const. Specialties, Inc.*, 510 B.R. 205, 215 (Bankr.N.D.Ill.2014) (Barnes, J.) (“Despite being entitled ‘Reorganization,’ chapter 11 expressly contemplates liquidating plans of reorganization.”); *see also, e.g.*, 11 U.S.C. § 1123 (A plan may “provide for the sale of all or substantially all of the property of the estate, and the distribution of the proceeds of such sale among holders of claims or interests.”).

BCL does not dispute that there is equity in the Property. That equity may be used to reorganize the Debtor and/or pay its debts, and the Debtor has offered to provide evidence to BCO and the court of lenders willing to refinance the Property and pay BCL in full. BCL, however, believes there must be more, that the Debtor must actually be operating and generating cash flow. This argument mistakes both the essential nature of chapter 11 noted above and that, even if being nonoperational would equate to having no on-going business and thereby potentially end the inquiry (which it does not), being nonoperational on a seasonal basis would not.

[13] Among other things, a debtor may, in good faith, use the bankruptcy system to give it a breathing spell to become cash-flow solvent when it is, as the Debtor is in this case, balance-sheet solvent.

Early on in a bankruptcy case, a debtor may be given a greater benefit of the doubt as to the success of a proposed feasible plan. *In re Cadwell’s Corners P’ship*, 174 B.R. 744, 759 (Bankr.N.D.Ill. 1994) (Katz, J.); *see also In re Morrow*, 495 B.R. 378, 386 (Bankr.N.D.Ill.2013) (Barnes, J.) (explaining that the filing of a bankruptcy case gives debtor’s a “breathing spell,” which allows a debtor time to attempt a reorganization plan).

In re Bovino, 496 B.R. 492, 507 (Bankr. N.D.Ill.2013) (Barnes, J.). While the Debtor’s seasonal business may not be presently operating, that does not mean that there are no assets to operate an on-going business during the peak summer seasons. As a result, this factor is not satisfied.

- f. Is there a possibility of reorganization without the consent of BCL, or is this, essentially, a two party dispute? (*Tekena* factors # 9, 12)

BCL has also not proven the ninth and twelfth *Tekena* factors. This is not solely a two party dispute and, as previously demonstrated by the Debtor’s schedules, BCL is not the only creditor in this case. Reorganization of the Debtor through confirmation of a chapter 11 plan, thus, may be possible without BCL’s consent. *See, e.g.*, 11 U.S.C. § 1129(b). Further, given the undeniable equity in the Property, other forms of chapter 11 relief may be available to the Debtor. Any specific finding on the likelihood of reorganization—and thus, dismissal—under the facts of this case and at this early point in the chapter 11 process, is premature. *See Bovino*, 496 B.R. at 499 (*citing In re Sal Caruso Cheese, Inc.*, 107 B.R. 808, 817 (Bankr. N.D.N.Y.1989)); *see also In re Gen. Growth Props., Inc.*, 409 B.R. 43, 65 (Bankr.S.D.N.Y.2009) (“There is no requirement in the Bankruptcy Code that a

debtor must prove that a plan is confirmable in order to file a petition.”).

After considering the foregoing, and after reviewing the facts of *Tekena* in comparison to those in this matter, the court determines that BCL’s reliance on *Tekena* is misplaced. Some factors were distorted by BCL so as to fit within the facts of this case. Some factors are simply inapplicable. Those that remain, even when taken together, are not enough to establish bad faith.

In fact, this case is very similar to the case of *In re Clinton Fields, Inc.*, 168 B.R. 265 (Bankr.M.D.Ga.1994), which the court finds to be more helpful than *Tekena* for analyzing the faith of the Debtor in this case. In *Clinton Fields*, the Debtor’s single asset was real property and the case was filed on the eve of foreclosure. Judge Walker did not dismiss the debtor’s chapter 11 petition when faced with allegations of bad faith based on findings that “the presence of equity provides both a sound basis for reorganization and substantial evidence of the Debtor’s good faith intent to reorganize.” *Id.* at 269.

It is clear to the court, therefore, that BCL has failed to carry its burden that this case was commenced in bad faith and, absent the argument that the Debtor’s bankruptcy petition is void, as discussed below, the court finds no cause to dismiss this case under section 1112(b).

2. *Unauthorized Filing*

As noted above, if the foregoing had been BCL’s only allegations, the Motion would have been denied without the need for further inquiry. BCL has also argued,

5. As noted above, this is not the only creative use of emphasis in the Motion. While court filings share little in common with email and other forms of modern, textual communication, in each medium parties are encouraged to exercise decorum and not to overuse em-

however, that the Debtor’s bankruptcy petition was not authorized because one member of the Debtor, BCL, did not approve it. This argument was made in bold and italics in the Motion⁵ but not initially addressed by BCL at the Hearing. Only in response to questioning by the court did BCL press the argument. The Debtor argues, in response, that the provision in the Third Amendment requiring BCL’s consent for the filing of a bankruptcy petition by the Debtor, is void as against public policy because it amounts to a prohibition of the Debtor’s right to exercise its right to bankruptcy relief and, alternatively, is not valid under Michigan law. The court will address each of the Debtor’s arguments in light of the specific language of the Third Amendments only after examining the effect of the Third Amendment on the outcome under Michigan law.

a. Michigan corporate governance law for consent

Before examining whether the provision requiring BCL’s consent contained in the Third Amendment is enforceable under bankruptcy or Michigan law, the court must determine whether such an inquiry is necessary. To put it plainly, if the operating agreement, as amended, does not prohibit the filing as effectuated, then the argument with respect to the validity of the provision is unfounded.

In that regard, BCL argues that the provision in the Third Amendment requiring its consent, as the Special Member of the Debtor, to any material action, including bankruptcy relief, means that the Debtor’s petition in this case is invalid because it was filed without its consent.

phasis. Just as all capital letters are deemed to be shouting in the latter, so goes bold plus italics in the former. The parties are cautioned against the overuse of textual modification for emphasis.

The Debtor did not address the legal analysis for consent under this provision and, instead, argues that the provision requiring BCL's consent in the Third Amendment is void, thus, the Debtor obtained the requisite consent under the operating agreement without the alleged invalid provision.

[14, 15] The Debtor is a limited liability company created in Michigan, therefore, the court must apply Michigan corporate governance law in determining whether the filing was a valid corporate action. See *In re Gen-Air Plumbing & Remodeling, Inc.*, 208 B.R. 426, 430 (Bankr.N.D.Ill. 1997) (Squires, J.) ("The authority to file a bankruptcy petition on behalf of a corporation must derive from state corporate governance law."). In Michigan, "[u]nless the vote of a greater percentage of the voting interest of members is required by this act, the articles of organization, or an operating agreement, a vote of the majority in interest of the members entitled to vote is required to approve any matter submitted for a vote of the members." Mich. Comp. Laws. Ann. § 450.4502(8). Thus, the operating agreement can require more than a majority vote.

The Debtor's original operating agreement provides that "[a]ll members shall be entitled to be vote on any matter submitted to a vote of the members," Operating Agreement for Lake Michigan Beach Potawatamie Resort, LLC, Article 7.1, p. 7., and that the "affirmative core or consent of a majority of the Sharing Ratios of all the Members entitled to vote or consent on such matter shall be required." *Id.* at Article 7.2, p. 7. Sharing ratios are defined as the "interests of the respective Members in the total capital of the Company." *Id.* at Article 4.1, p. 3.

The first and second amendments to the operating agreement shift the sharing ratios between the three individual, original

members of the Debtor (first amendment) and add the fourth individual member in exchange for a capital contribution (second amendment), but do not alter the voting requirements. The Third Amendment provides that BCL, as the Special Member, does not have any capital of the Debtor. Third Amendment, Article 12.4(iii), p.2. The four individual members constitute 100% of the sharing ratios, therefore, and consented to the Debtor's bankruptcy petition. But for the specific prohibitions in the Third Amendment, under Michigan law, the Debtor's petition would be authorized as a majority of the sharing ratios consented to the petition in this case.

Those prohibitions, however, change the analysis, and that undoubtedly was their intent.

Article XII of the Third Amendment is entitled "Special Member" and provides:

This Article XII has been adopted in order to comply with certain provisions of the Loan Documents (as defined herein). This Section is written *for the express benefit of the Lender* (as defined herein) and shall *supersede any conflicting or inconsistent provision of this Agreement*. This Section shall apply until such time as no Obligations remain outstanding (including, without limitation, until such time as the Debt shall be paid in full), after which it will no longer have any fore or effect.

Third Amendment, Article 12.1, p. 1 (emphasis added). "Section" is not defined in the Third Amendment, but in context clearly refers to Article XII. Article XII is the entirety of the Third Amendment, which was executed in conjunction with the Forbearance Agreement, and establishes BCL as the Special Member and the provision requiring BCL's consent for the Debtor to petition for bankruptcy. *Id.* at 12.2(viii), 12.3(i), p. 2. Because the Third

Amendment supersedes the previous provision in the Debtor's operating agreement requiring a majority of the sharing ratios for consent, *see infra*, and because Michigan allows for operating agreements to override the default majority of interests requirement set forth in section 450.4502(8), the provision requiring BCL to consent would result in the Debtor's petition in this case, filed without the consent of BCL, being infirm.

The court must, therefore, determine the validity of the prohibitions in the Third Amendment in order to determine whether this petition was authorized under the Debtor's operating agreement and Michigan law and, ultimately, bankruptcy law.

b. Blocking director

BCL's argument is grounded in the well-established commercial practice of using "blocking directors." A blocking director⁶ is the lynchpin that holds together a bankruptcy remote special purpose entity,⁷ formed to ring fence assets from creditors other than a secured creditor who is unwilling to lend otherwise and for whom the structure is made. In such instances, a business enterprise creates an entity that has assets but limited or no operations and may not, but for unanimous consent of its directors, file for bankruptcy, *Gen. Growth*, 409 B.R. at 49, and that entity acts as the borrower and often the

guarantor of the loan. Actions of a similar nature to bankruptcy are likewise prohibited. The organizational documents of the entity provide that the prohibited actions may not be taken if a specific director's seat is vacant, and that director is nominated by the secured creditor. Last, the organizational documents of the entity provide that these prohibitions may not be altered but for unanimous consent of the directors (again, with an inability to act if the secured creditor's nominee's seat is vacant).

The import of such a structure is readily apparent. One specific director, chosen by the secured creditor, may withhold its vote and thus block, hence the name, a voluntary bankruptcy petition. Further, given the limited operations, an involuntary petition against the entity is highly unlikely.

c. Fiduciary duties and public policy concerns

Why go to such effort, one might ask? For one crucial reason: a simpler, absolute prohibition against filing for bankruptcy will likely be deemed void as against public policy. As corporate entities have been held to have, in certain instances, rights akin to that of natural person, *see, e.g., Citizens United v. Federal Election Comm'n*, 558 U.S. 310, 342, 130 S.Ct. 876, 175 L.Ed.2d 753 (2010), prohibiting such entities from availing themselves of the

6. For the purpose of simplicity and because "blocking director" is more common in parlance than "blocking member," the term blocking director will be used *infra* except where used specifically in relation to the Debtor. However, the discussion and laws relating blocking directors apply equally to structures involving blocking members, as is discussed below.

7. Sometimes referred to as a "single-purpose entity" or "bankruptcy remote entity," an SPE has been described by one commentator as "an entity, formed concurrently with, or immediately prior to, the closing of a financ-

ing transaction, one purpose of which is to isolate the financial assets from the potential bankruptcy estate of the original entity, the borrower or originator." David B. Stratton, *Special-Purpose Entities and Authority to File Bankruptcy*, 23-2 Am. Bankr.Inst. J. 36 (March 2004). "Bankruptcy-remote structures are devices that reduce the risk that a borrower will file bankruptcy or, if bankruptcy is filed, ensure the creditor procedural advantages in the proceedings." Michael T. Madison, et. al., *The Law of Real Estate Financing*, § 13:38 (2008).

Gen. Growth, 409 B.R. at 49.

bankruptcy laws—laws so seminally important that they were specifically authorized under the Constitution—is generally considered bad form. *Gen. Growth*, 409 B.R. at 49. In the same way that individuals may not contract away their bankruptcy rights, corporations should be similarly constrained. *See, e.g.*, 11 U.S.C. 362(e); *Klingman v. Levinson*, 831 F.2d 1292, 1296 (7th Cir.1987) (“For public policy reasons, a debtor may not contract away the right to a discharge in bankruptcy.”); *In re Shady Grove Tech Ctr. Assocs. Ltd. P’ship*, 216 B.R. 386, 390 (Bankr.D.Md. 1998), *supplemented*, 227 B.R. 422 (Bankr. D.Md.1998) (corporate contractual “prohibitions against the filing of a bankruptcy case are unenforceable”).

[16] Bankruptcy law, however, is equally clear that corporate formalities and state corporate law must also be satisfied in commencing a bankruptcy case. *NNN 123 N. Wacker*, 510 B.R. at 858. Except in very specific circumstances not at play here,⁸ an improperly authorized corporate bankruptcy filing is infirm. *Id.* (citing *Price v. Gurney*, 324 U.S. 100, 106, 65 S.Ct. 513, 89 L.Ed. 776 (1945)).

[17] Put another way, the long-standing policy against contracting away bank-

ruptcy benefits is not necessarily controlling when what defeats the rights in question is a corporate control document instead of a contract.⁹ *See Klingman*, 831 F.2d at 1296; *see also 203 N. LaSalle St. P’ship*, 246 B.R. at 331 (As “bankruptcy is designed to produce a system of reorganization and distribution different from what would obtain under nonbankruptcy law, it would defeat the purpose of the Code to allow parties to provide by contract that the provisions of the Code should not apply.”).

Nonetheless, common wisdom dictates that the corporate control documents should not include an absolute prohibition against bankruptcy filing.¹⁰ Even though the blocking director structure described above impairs or in operation denies a bankruptcy right, it adheres to that wisdom. It has built into it a saving grace: the blocking director must always adhere to his or her general fiduciary duties to the debtor in fulfilling the role. That means that, at least theoretically, there will be situations where the blocking director will vote in favor of a bankruptcy filing, even if in so doing he or she acts contrary to purpose of the secured creditor for whom he or she serves.

8. *See, e.g., In re American Globus Corp.*, 195 B.R. 263 (Bankr.S.D.N.Y.1996) (case would not be dismissed despite failure to satisfy 100% shareholder authorization vote requirement, when dissenting shareholder was motivated by improper means to avoid bankruptcy); *see also Management Techs., Inc. v. Morris*, 961 F.Supp. 640 (S.D.N.Y.1997) (bankruptcy filed through improper corporate action would not be dismissed).

9. To be clear, it is not just contractual prohibitions that have been found to be void. *See, e.g., In re Auto. Professionals, Inc.*, 370 B.R. 161, 181 (Bankr.N.D.Ill.2007) (Doyle, J.) (“State law can suspend the operation of Title 11 only when a debtor is not eligible for relief under § 109 of the Bankruptcy Code.”); *In re Corp. & Leisure Event Prods., Inc.*, 351 B.R.

724, 727 (Bankr.D.Ariz.2006) (state receivership law and state court order enjoining bankruptcy filing invalid prior restraint on filing for bankruptcy by corporate entity).

10. Bankruptcy courts are loathe to enforce any waiver of rights granted under the Bankruptcy Code because such a waiver “violates public policy in that it purports to bind the debtor-in-possession to a course of action without regard to the impact on the bankruptcy estate, other parties with a legitimate interest in the process or the debtor-in-possession’s fiduciary duty to the estate.” *In re Trans World Airlines, Inc.*, 261 B.R. 103, 114 (Bankr.D.Del.2001); *In re Tru Block Concrete Products, Inc.*, 27 B.R. 486, 492 (Bankr. S.D.Cal.1983).

As noted by Judge Gropper in *General Growth*, “if Movants believed that an ‘independent’ manager can serve on a board solely for the purpose of voting ‘no’ to a bankruptcy filing because of the desires of a secured creditor, they were mistaken.” 409 B.R. at 64. In *Kingston Square*, Judge Brozman was also clearly incredulous at the attempt by the parties to forswear applicable fiduciary duties so as to block an otherwise necessary bankruptcy filing. *In re Kingston Square Assocs.*, 214 B.R. 713, 735–36 (Bankr.S.D.N.Y.1997) (“Richardson [the blocking director] says he was unaware in his capacity as director of his fiduciary duties to creditors and that he only learned of his duties to creditors later. . . . Basic hornbook law provides that directors occupy a fiduciary relation to the corporation and its shareholders . . . Richardson is an attorney who worked on sophisticated corporate financings. It is inconceivable that he would not understand that the corporate general partners of which he was a director bore fiduciary obligations to the limited partners. (That is the stuff of a basic corporate law course in law school.) Yet he completely ignored the limited partners’ plight in the face of foreclosure actions instituted by the group which placed him on the boards of directors of these and other companies and saw to it that he was paid fees.”). Courts have clearly gone out of their way to enforce the basic public policy prohibition in such circumstance. *See Gen. Growth*, 409 B.R. at 64; *Kingston Square*, 214 B.R. at 736; *In re Spanish Cay Co., Ltd.*, 161 B.R. 715, 723 (Bankr.S.D.Fla.1993) (permitting insiders to also be involuntary petitioning creditors despite corporate control documents arguably prohibiting same).

The consideration of fiduciary duties and public policy concerns further extends to situations where the blocking position is a member of a limited liability company because the member of a limited liability

company, such as the Debtor in this case, maintains the power to consent or block a bankruptcy petition. *NNN 123 N. Wacker*, 510 B.R. at 858 (citing *In re Avalon Hotel Partners, LLC*, 302 B.R. 377 (Bankr.D.Oregon 2003)).

[18] The essential playbook for a successful blocking director structure is this: the director must be subject to normal director fiduciary duties and therefore in some circumstances vote in favor of a bankruptcy filing, even if it is not in the best interests of the creditor that they were chosen by.

BCL’s playbook was, unfortunately, missing this page.

- d. BCL as the special member and its fiduciary duties thereunder

[19] As previously stated, the Third Amendment establishes BCL as the “Special Member” of the Debtor. Third Amendment, Articles 12.2(vii), 12.3(i), p.2. BCL’s role as the Special Member may enable it, therefore, to “block” the Debtor from taking any material action, including availing itself of bankruptcy relief, by withholding its required consent. *See id.* at Article 12.2(vi), p.2. This structure undoubtedly was negotiated by BCL to ensure that the Property was not to be administered in a bankruptcy.

The Debtor’s bankruptcy petition was, nonetheless, consented to by the remaining members of the Debtor. The Debtor argues that the consent of the remaining members was sufficient because, despite BCL’s insistence to the opposite, the blocking member provision in the Third Amendment is void. As noted above, from a bankruptcy perspective, that conclusion would not be inevitable if fiduciary duties are respected. That is not the case here, however.

The Third Amendment limits BCL duties as the Special Member to those “rights and duties expressly set forth in this Agreement.” Third Amendment, Article 12.2(viii), p. 2. Those rights and duties are then limited by Article 12.4(iv):

Notwithstanding anything provided in the Agreement (or other provision of law or equity) to the contrary, in exercising its rights under this Section, the Special Member shall be entitled to consider *only* such interests and factors as it desires, including its own interests, and shall to the fullest extent permitted by applicable law, have no duty or obligation to give any consideration to any interests of or factors affecting the Company or the Members.

Id. at Article 12.4(iv), p. 2–3 (emphasis added). This language results in BCL as the Special Member having no duties to the Debtor,¹¹ despite otherwise being a member of the Debtor.

[20] Under Michigan law, members of a limited liability company have a duty to consider the interests of the entity and not only their own interests. The Michigan Limited Liability Company Act, a subsection of the Michigan Business Corporate Act, much like the corporate governance laws of many other states, requires that

(1) A manager shall discharge the duties of manager in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the manager reasonably believes to be in the

best interests of the limited liability company.

Mich. Comp. Laws Ann. § 450.4404. Therefore, BCL, as a member of a Michigan limited liability company, the Debtor, must consider the interests of the Debtor.

The Third Amendment does provide, however, that these limited duties are allowed “to the fullest extent permitted by applicable law.” Third Amendment at Article 12.4(iv), p. 2–3. That savings clause might cure the invalidity of the prohibition, but only by rendering it meaningless. The prohibition has no application other than which is impermissible under Michigan law.

By excluding the Debtor’s interests from consideration by BCL when acting as the Special Member of the Debtor, thereby allowing BCL to consider only its own best interests, the Third Amendment also expressly eliminates the only redeeming factor that permits the blocking director/member construct. The Third Amendment provision that BCL’s consent was required in order for the Debtor to petition for bankruptcy relief is, therefore, unenforceable, both as a matter of Michigan corporate governance and bankruptcy law.

What the court is left with is this—the blocking member provision of the Third Amendment is void. The remaining corporate governance provisions governing the Debtor, and analyzed in accordance with Michigan law, therefore, result in a valid consent to the Debtor’s bankruptcy petition.

11. While the duty of an officer or director to consider interests does not extend to the creditors of a corporation in normal circumstances, most states impose an additional fiduciary duty to consider the interests of all creditors when a corporate debtor is operating in insolvency. *DeWitt v. Sealtex Co.*, Case No. 273387, 2008 WL 2312668, at *10 (Mich. Ct.App. June 5, 2008) (citing 3A Fletcher Cy-

lopedia Corporations, § 1035.60, p. 30). Michigan is one of the rare states that does not impose this additional duty. *Id.* As noted in *Gen. Growth*, however, the duty to the debtor itself and, ultimately the debtor’s collective equity holders, is what is paramount. 409 B.R. at 64. For these purposes, Michigan law is no different that such a duty is owed and may not be forsworn.

CONCLUSION

For the foregoing reasons, BCL has failed to satisfy its burden of proof as to cause to dismiss the Debtor's bankruptcy petition. Accordingly, the Motion will be DENIED.

A separate Order will be issued concurrent with this Memorandum Decision.

ORDER

This matter comes before the court on the Motion To Dismiss Case (the "Motion") of BCL-Bridge Funding LLC ("BCL") to dismiss the bankruptcy of Lake Michigan Beach Pottawattamie Resort LLC [Dkt. No. 11]; the court having jurisdiction over the subject matter; all necessary parties appearing at the Hearing that took place from place on January 27, 2016 (the "Hearing"); the court having considered the evidence presented by all parties and the arguments of all parties in their filings and at the Hearing; and in accordance with the Memorandum Decision of the court in this matter issued concurrently herewith wherein the court found that BCL has not satisfied its burden of proof with respect to cause under 11 U.S.C. § 1112(b);

NOW, THEREFORE, IT IS HEREBY ORDERED:

- (1) The Motion is DENIED.



IN RE: Kristina K. CLORE, Debtor.

Case No. 15-81509

United States Bankruptcy Court,
C.D. Illinois.

Signed March 2, 2016

Background: After the bankruptcy court, on debtor's motion, converted case from

Chapter 7 to Chapter 13, Chapter 7 trustee filed motion to vacate the order converting the case, arguing that the amount of debtor's unsecured debts rendered her ineligible to be a Chapter 13 debtor.

Holdings: The Bankruptcy Court, Thomas L. Perkins, J., held that:

- (1) under Illinois law, debtor's personal guaranty of a bank loan made to her real estate development company gave rise to a "contingent" debt, for purposes of the subsection of the Bankruptcy Code governing who may be a Chapter 13 debtor, and
- (2) bank's claim against debtor was a "liquidated" claim.

Ordered accordingly.

1. Bankruptcy ⇌ 2233(3)

Claim is considered to be "contingent," for purposes of determining a debtor's eligibility to be a Chapter 13 debtor, if it is one conditioned upon the occurrence or happening of a future event that is uncertain. 11 U.S.C.A. § 109(e).

See publication Words and Phrases for other judicial constructions and definitions.


2. Bankruptcy ⇌ 2233(3)

Claim is considered to be "liquidated," for purposes of determining a debtor's eligibility to be a Chapter 13 debtor, if the amount has been ascertained or can readily be calculated. 11 U.S.C.A. § 109(e).

See publication Words and Phrases for other judicial constructions and definitions.

3. Bills and Notes ⇌ 49

Under Illinois law, by signing a promissory note for accommodation, a person incurs liability as an "accommodation party." 810 ILCS § 5/3-419(a).

 KeyCite Yellow Flag - Negative Treatment
Distinguished by [In re Long](#), Bankr.D.Utah, August 5, 2016

290 B.R. 792
United States Bankruptcy Appellate Panel
of the Tenth Circuit.

In re Michael Charles SCHICKE, Debtor.
Chanute Production Credit Association, Appellant,
v.
Michael Charles Schicke, Appellee.

BAP No. KS-01-089.
|
Bankruptcy No. 96-10945.
|
March 17, 2003.

Judgment creditor moved to reopen closed Chapter 7 case for the purpose of filing an untimely nondischargeability complaint against debtor. The United States Bankruptcy Court for the District of Kansas denied motion, and judgment creditor appealed. The Bankruptcy Appellate Panel (BAP), [Clark, J.](#), held that: (1) debtor properly scheduled judgment creditor in care of the attorney who had represented it in obtaining the judgment against debtor, rather than at judgment creditor's own address, and (2) because judgment creditor had formal notice of debtor's case through its agent-attorney prior to the deadline for objecting to dischargeability of debts, the Bankruptcy Code did not afford creditor additional time to file a complaint, and so the bankruptcy court did not abuse its discretion in refusing to reopen case, as it could not afford creditor any relief if case were reopened.

Affirmed.

[Cordova, J.](#), filed dissenting opinion.

West Headnotes (25)

[1] **Bankruptcy**
 Discretion

Bankruptcy court order related to the reopening of a closed case is reviewed for

abuse of discretion. Bankr.Code, [11 U.S.C.A. § 350\(b\)](#).

[11 Cases that cite this headnote](#)

[2] **Bankruptcy**
 Grounds and Objections



Bankruptcy court that refuses to reopen a Chapter 7 case that has been closed will not abuse its discretion if it cannot afford the moving party any relief in the reopened case. Bankr.Code, [11 U.S.C.A. § 350\(b\)](#).

[18 Cases that cite this headnote](#)

[3] **Bankruptcy**
 Extension of time

Sixty-day deadline for filing a complaint to determine the dischargeability of a debt may not be enlarged, unless an extension is requested prior to its expiration or section of the Bankruptcy Code governing dischargeability of unlisted debts applies. Bankr.Code, [11 U.S.C.A. § 523\(a\)\(3\)\(B\), \(c\)](#); [Fed.Rules Bankr.Proc.Rules 4007\(c\), 9006\(b\)\(3\)](#), 11 U.S.C.A.

[Cases that cite this headnote](#)

[4] **Bankruptcy**
 Debts not scheduled or listed
Bankruptcy
 Extension of time

Creditors who prove applicability of section of the Bankruptcy Code governing dischargeability of unlisted debts are not entitled to an automatic exception of their claims from a debtor's discharge; rather, the Code simply permits the filing of a nondischargeability complaint after the lapse of any applicable time limitation. Bankr.Code, [11 U.S.C.A. § 523\(a\)\(2\), \(a\)\(3\)\(B\), \(a\)\(4\), 6\), \(c\)](#); [Fed.Rules Bankr.Proc.Rule 4007\(c\)](#), 11 U.S.C.A.

[Cases that cite this headnote](#)

[5] **Bankruptcy**

🔑 Extension of time

Constitutional Law

🔑 Bankruptcy

Extension of time to object to dischargeability of a debt enforces the performance of debtor's duties under the Bankruptcy Code which, in turn, insures creditors receive notice of a case and, thus, due process. Bankr.Code, 11 U.S.C.A. §§ 521(1), 523(a)(3)(B); Fed.Rules Bankr.Proc.Rule 4007(c), 11 U.S.C.A.

Cases that cite this headnote

[6] **Constitutional Law**

🔑 Bankruptcy

Notice of Commencement of Case served on creditors based on information provided by debtor affords creditors due process, that is, notice reasonably calculated to apprise creditors of the pendency of debtor's case and to afford them an opportunity to present objections to the discharge of a debt. Bankr.Code, 11 U.S.C.A. §§ 521(1), 523(a)(2, 4, 6).

3 Cases that cite this headnote

[7] **Bankruptcy**

🔑 Extension of time

When a debtor does not afford a creditor due process, either by failing to timely schedule a creditor or by scheduling it incorrectly, creditor's right to object to the dischargeability of a debt cannot be time-barred. Fed.Rules Bankr.Proc.Rule 4007(c), 11 U.S.C.A.

4 Cases that cite this headnote

[8] **Bankruptcy**

🔑 Time for Proceedings

In the Tenth Circuit, upon receipt of notice or knowledge of a Chapter 7 case, creditors must affirmatively protect their rights by informing themselves of applicable deadlines and timely filing complaints to except their claims against debtor from discharge. Fed.Rules Bankr.Proc.Rule 4007(c), 11 U.S.C.A.

2 Cases that cite this headnote

[9] **Bankruptcy**

🔑 Notice

Bankruptcy

🔑 Debtor's duties in general

Bankruptcy

🔑 Debts not scheduled or listed

Bankruptcy

🔑 Time for Proceedings

Section of the Bankruptcy Code governing dischargeability of unlisted debts makes three points clear: (1) a debtor who seeks the benefit of a discharge has a duty to notify creditors affected by the discharge of his or her case to allow them an opportunity to object thereto, (2) creditors with formal notice of a case have a duty to timely protect their rights against a debtor, but (3) even if debtor does not provide creditors with formal notice of his or her case, debtor nevertheless will receive a discharge if a creditor actually knows of the case and fails to timely protect its rights. Bankr.Code, 11 U.S.C.A. § 523(a)(3)(B).

4 Cases that cite this headnote

[10] **Evidence**

🔑 Mailing, and delivery of mail matter

Papers sent by United States mail are presumed received by the addressee, absent evidence to the contrary.

3 Cases that cite this headnote

[11] **Attorney and Client**

🔑 The relation in general

Attorney and Client

🔑 Notice to attorney

Attorney may be an agent of his or her client, and notice to an agent-attorney can be imputed to the principal-client.

1 Cases that cite this headnote

[12] **Bankruptcy**

🔑 [Notice](#)

Bankruptcy

🔑 [Creditors](#)

Debtors may list a creditor in care of its attorney in their Schedule of Liabilities, provided that the attorney is the creditor's agent in the context of the bankruptcy case, and notice to the attorney-agent will be “notice” under section of the Bankruptcy Code governing dischargeability of unlisted debts. Bankr.Code, 11 U.S.C.A. §§ 342(a), 523(a)(3)(B); Fed.Rules Bankr.Proc.Rule 1007(b), 11 U.S.C.A.

[12 Cases that cite this headnote](#)

[13] Bankruptcy

🔑 [Notice](#)

Attorney who represents a creditor in matters against a debtor prepetition, such as in obtaining or collecting a judgment that will be affected by discharge, generally will be an agent of the creditor in the context of a debtor's bankruptcy case, for purposes of receiving “notice” of the bankruptcy case. Bankr.Code, 11 U.S.C.A. § 523(a)(3)(B); Fed.Rules Bankr.Proc.Rule 1007(b), 11 U.S.C.A.

[11 Cases that cite this headnote](#)

[14] Bankruptcy

🔑 [Notice](#)

Constitutional Law

🔑 [Bankruptcy](#)

Neither due process nor section of the Bankruptcy Code governing notice requires the “best” notice; the Code only requires notice that is “appropriate,” and due process mandates notice “reasonably calculated” to apprise creditors of a case. Bankr.Code, 11 U.S.C.A. § 342(a).

[Cases that cite this headnote](#)

[15] Bankruptcy

🔑 [Notice](#)

Given an agent's duties to its principal and an attorney's duties to its client, it may be reasonable to assume that notice to a creditor's agent-attorney will be relayed to creditor, even when attorney's retention has been terminated by creditor, if the termination is unknown to debtor. Bankr.Code, 11 U.S.C.A. §§ 342(a), 523(a)(3)(B).

[3 Cases that cite this headnote](#)

[16] Principal and Agent

🔑 [Nature of the relation in general](#)

Under Kansas law, an “agency” is defined as a contract by which one of the parties confides to the other the management of some business to be transacted in his name, or on his account, and by which that other assumes to do the business and to render an account of it.

[Cases that cite this headnote](#)

[17] Principal and Agent

🔑 [Express Authority](#)

Principal and Agent

🔑 [Implied and Apparent Authority](#)

Under Kansas law, an agency relationship may be either express or implied; an “express agency” exists if the principal has delegated authority to the agent by words which expressly authorize the agent to do a delegable act, whereas an “implied agency” may exist if it appears from statements and conduct of the parties and other relevant circumstances that the intention was to clothe the agent with such an appearance of authority that when the agency was exercised it would normally and naturally lead others to rely on the person's acts as being authorized by the principal.

[Cases that cite this headnote](#)

[18] Principal and Agent

🔑 [Presumptions and burden of proof](#)

Under Kansas law, where the relationship of principal and agent is in issue, the party relying thereon to establish his claim or

demand has the burden of establishing its existence by clear and satisfactory evidence.

[1 Cases that cite this headnote](#)

[19] Principal and Agent

🔑 [Implied Agency](#)

Under Kansas law, an agency relationship may exist notwithstanding either a denial by the alleged principal or whether the parties understood it to be an agency.

[Cases that cite this headnote](#)

[20] Principal and Agent

🔑 [Questions for jury](#)

Under Kansas law, the determination of what constitutes agency and whether there is any competent evidence reasonably tending to prove the relationship is a question of law.

[Cases that cite this headnote](#)

[21] Principal and Agent

🔑 [Implied and Apparent Authority](#)

Under Kansas law, implied agency may exist if a principal has intentionally or by want of ordinary care induced and permitted third persons to believe a person is his or her agent even though no authority, either express or implied, has been actually conferred on the agent.

[Cases that cite this headnote](#)

[22] Principal and Agent

🔑 [Weight and Sufficiency](#)

Under Kansas law, a plaintiff establishes agency by a preponderance of the evidence, but this evidence must be clear and convincing in nature.

[Cases that cite this headnote](#)

[23] Appeal and Error

🔑 [Findings of Court or Referee](#)

On review of a court's agency determination under Kansas law, the reviewing court considers only the evidence of the successful party to determine whether it is substantial and whether it is of a clear and convincing quality.

[Cases that cite this headnote](#)

[24] Principal and Agent

🔑 [Implied and Apparent Authority](#)

Under Kansas law, test used to determine if an alleged agent possesses implied powers is whether, from the facts and circumstances of the particular case, it appears there was an implied intention to create an agency, in which event the relationship may be held to exist, notwithstanding either a denial by the alleged principal or whether the parties understood it to be an agency.

[Cases that cite this headnote](#)

[25] Bankruptcy

🔑 [Notice](#)

Bankruptcy

🔑 [Creditors](#)

Bankruptcy

🔑 [Extension of time](#)

Chapter 7 debtor properly scheduled judgment creditor in care of attorney who had represented it in state-court fraud action in which it had obtained the judgment against debtor some 12 years prepetition, rather than at judgment creditor's own address, and so attorney's receipt of formal notice of debtor's bankruptcy filing prior to deadline for objecting to dischargeability of debts was imputed to judgment creditor, so that section of the Bankruptcy Code governing dischargeability of unlisted debts did not apply to afford judgment creditor additional time to file a nondischargeability complaint; judgment creditor had no direct contact with debtor after judgment was rendered notifying him of its name changes, there was no record that debtor had any address for judgment creditor, and attorney's appearance

on judgment creditor's behalf as late as seven years post-judgment constituted its representation to third parties, including debtor, that attorney was judgment creditor's agent in the fraud action, under Kansas law. Bankr.Code, 11 U.S.C.A. §§ 342(a), 523(a)(3) (B); Fed.Rules Bankr.Proc.Rule 1007(b), 11 U.S.C.A.

3 Cases that cite this headnote

Attorneys and Law Firms

*795 Eric D. Bruce (Petra H. Johnson with him on the brief), of Bruce, Bruce & Lehman, L.L.C., Wichita, KS, for Appellant.

Philip J. Bernhart, Coffeyville, KS, for Appellee Michael Charles Schicke.

Before CLARK, CORNISH, and CORDOVA, Bankruptcy Judges.¹

¹ The Honorable Donald E. Cordova, Chief Bankruptcy Judge for the United States Bankruptcy Court for the District of Colorado heard oral argument in this appeal on September 12, 2002. On February 16, 2003, prior to the issuance of this Opinion, Judge Cordova passed away. He had, however, fully considered this matter and authored the attached Dissenting Opinion prior to his death.

*796 OPINION²

² This caption, created by the Court, originally listed the Chapter 7 trustee, D. Michael Case, and the United States trustee as Appellees because they were listed in the Notice of Appeal as parties to the Order being reviewed herein. The Court hereby amends the caption to delete them as Appellees. While they will be served with this Opinion, they in no way made an appearance in the bankruptcy court or in this appeal and, therefore, were improperly listed as Appellees.

CLARK, Bankruptcy Judge.

Chanute Production Credit Association (“CPCA”) appeals an Order of the United States Bankruptcy Court for the District of Kansas denying its Motion to Reopen the debtor's closed Chapter 7 case.³ CPCA sought to reopen the case to file a complaint against the debtor under 11 U.S.C. § 523(a)(2), (4) or (6).⁴ Although the time to file such complaints established under § 523(c) and Fed. R. Bankr.P. 4007(c) has lapsed, CPCA argues that it should be granted additional time under § 523(a)(3)(B) to file a complaint because it had neither notice nor actual knowledge of the debtor's Chapter 7 case. For the reasons stated below, we conclude that CPCA had timely notice of the debtor's case through its agent-attorney and, therefore, § 523(a)(3)(B) does not afford CPCA additional time to file a § 523(a)(2), (4) or (6) complaint against the debtor. As such, the debtor's debt to CPCA has been discharged and reopening the debtor's closed case would afford CPCA no relief. The bankruptcy court, therefore, did not abuse its discretion in denying CPCA's Motion to Reopen and its Order must be AFFIRMED.

³ Also before the Court is CPCA's “Motion to Accept Supplemental Appendix,” seeking to supplement CPCA's Appendix to include its Notice of Appeal. The unopposed Motion is GRANTED.

⁴ Unless otherwise stated, all statutory references are to title 11 of the United States Code.

I. Background

In 1981, CPCA commenced an action against the debtor in Kansas State Court, alleging that the debtor had obtained loans from it based on fraudulent representations and actual fraud (“Fraud Action”). A judgement was entered in the Fraud Action against the debtor in 1984, awarding CPCA approximately \$583,000 (“Judgment”). The State Court expressly found that the debtor had induced CPCA to make loans to him by providing it with false financial statements and other misrepresentations concerning his financial condition.

From 1984 to 1989, CPCA was represented in the Fraud Action by William D. Coombs, an attorney practicing law in Chanute, Kansas. After Mr. Coombs was diagnosed with cancer, CPCA retained attorney Frank C. Beyerl, and Mr. Beyerl filed a Notice of Appearance in the Fraud Action in March 1989. Despite Mr. Beyerl's 1989 Notice of Appearance, Mr. Coombs made an appearance in the Fraud Action as late as October 1991, when he filed

a Request for Execution on behalf of the CPCA. Mr. Coombs' 1991 appearance was the last action of record made by the CPCA in the Fraud Action prior to the filing of the debtor's Chapter 7 case.⁵

⁵ On November 18, 1995, CPCA employed S. Kent Pringle to represent it in the Fraud Action due to Mr. Beyerl's suspension from the practice of law. Exhibit 6, *in* Appellant's Appendix at 158. However, Mr. Pringle did not file a Notice of Appearance or take any action in the Fraud Action at that time nor any time prior to the filing of the debtor's Chapter 7 case—the only time period relevant to this case.

*797 In March 1996, the debtor filed a petition seeking relief under Chapter 7 of the Bankruptcy Code. His petition was accompanied by a Schedule of Liabilities. In Schedule F, the debtor listed CPCA as a creditor holding an unsecured nonpriority claim in the amount of the Judgment. CPCA appears in Schedule F as follows:

Chanute Production Credit Assn.
c/o Coombs & Hull
P.O. Box 306
Chanute, Kansas 66720⁶

⁶ Appellant's Appendix at 58.

The debtor scheduled CPCA based on the name listed in the Judgment. Unknown to the debtor, however, was the fact that CPCA had changed its name at least twice prior to March 1996. CPCA had not had any contact with the debtor since 1984 that would have informed him of any of its new names.

The debtor did not list CPCA's 1996 address in Schedule F. Rather, he scheduled CPCA in care of Coombs & Hull at a P.O. Box belonging to Mr. Coombs, the last attorney to have made an appearance on behalf of CPCA in the Fraud Action. While we have no record regarding the debtor's reasons for using Mr. Coombs's address, the record we do have demonstrates the following.⁷

⁷ The debtor's bankruptcy counsel's statements both before the bankruptcy court and this Court regarding the methodology used to list CPCA's address are not evidence. Thus, we rely solely on what can be gleaned from the debtor's testimony and the documents admitted into evidence by stipulation.

Neither the Judgment nor any papers filed in the Fraud Action disclose CPCA's address. Rather, they merely indicate CPCA's attorney of record. Mr. Coombs, who at the time of the 1984 Judgment and 1991 Renewal Affidavit was signing papers as a member of the law firm of "Coombs & Pringle," was the last attorney to make an appearance on behalf of CPCA in the Fraud Action as of March 1996. Although the record does not indicate when Mr. Coombs formed or joined the law firm of Coombs & Hull, in 1996 he was undisputably affiliated with Coombs & Hull. The P.O. Box listed under Coombs & Hull in Schedule F is a P.O. Box that belonged to Mr. Coombs in 1996.⁸ Mr. Coombs, although ill and not working full-time in 1996, was a practicing attorney in good standing in Kansas at that time.

⁸ Appellant's Appendix at 157 and 177. There was no evidence presented as to Coombs & Hull's address.

No one contests that the bankruptcy court mailed a Notice of Commencement of Case in April 1996 ("Bankruptcy Notice") to CPCA at Mr. Coombs's address stated by the debtor in his Schedule F, disclosing that the deadline to object to the debtor's discharge or the dischargeability of specific debts expired on July 1, 1996 ("Discharge Objection Deadline"). There was no evidence presented that the Bankruptcy Notice was returned to the bankruptcy court for improper service. Neither the Bankruptcy Notice nor notice of its contents were relayed directly to the CPCA prior to the expiration of the Discharge Objection Deadline. CPCA did not file a timely complaint against the debtor seeking to except its Judgment from discharge under § 523(a)(2), (4) or (6).

On November 25, 1996, the bankruptcy court entered its "Discharge of Debtor and Final Decree," discharging the debtor's prepetition debts, including the Judgment, and closing his Chapter 7 case ("Discharge Order"). The Discharge Order was mailed by the bankruptcy court to CPCA at Mr. Coombs's address listed in the debtor's Schedule F. Unlike the Bankruptcy Notice, the Discharge Order was delivered to *798 CPCA sometime in November or December of 1996 as part of a package from Coombs & Hull containing title work done by Mike Hull, a Coombs & Hull attorney who was retained by CPCA on an on-going basis on matters unrelated to the Fraud Action. Thus, CPCA had knowledge and notice of the debtor's Chapter 7 case in November or December 1996, after its Judgment had been discharged.

Just prior to CPCA learning of the debtor's Chapter 7 case, in September 1996, it filed a "Renewal Affidavit" in the Fraud Action. It also commenced an action in the State Court against the debtor to execute its Judgment. When the State Court became aware of the debtor's case, however, it abstained from considering this action, refusing to exercise concurrent jurisdiction with the bankruptcy court to determine the dischargeability of CPCA's Judgment. CPCA appealed the State Court's abstention order, but the Kansas Court of Appeals affirmed the State Court.

In September 2000, shortly after the State Court's abstention order was affirmed on appeal and nearly four years after it admits that it knew of the debtor's Chapter 7 case, CPCA filed its Motion to Reopen in the bankruptcy court. CPCA sought to reopen the debtor's case to determine the dischargeability of its Judgment under § 523(a)(2), (4) or (6). It argued that the Discharge Objection Deadline did not apply to the Judgment under § 523(a)(3)(B) because it did not have timely notice or actual knowledge of the debtor's Chapter 7 case. The debtor objected to CPCA's Motion to Reopen and moved for summary judgment. The bankruptcy court denied the debtor's summary judgment motion, holding that a genuine issue of material fact existed as to whether CPCA had actual knowledge or notice of the debtor's case to allow for an extension of the Discharge Objection Deadline under § 523(a)(3)(B).

After a trial, the bankruptcy court entered an order denying CPCA's Motion to Reopen ("Reopen Order"). There was no "cause" under § 350(b) to reopen the debtor's Chapter 7 case because the Judgment had been discharged and any § 523(a) action against the debtor was time-barred. The time to file a § 523(a) complaint could not be extended under § 523(a)(3)(B) because CPCA, through its attorney of record, had knowledge or notice of the debtor's Chapter 7 case prior to the expiration of the Discharge Objection Deadline.

CPCA timely appealed the Reopen Order to this Court and, given the consent of the parties, this Court has appellate jurisdiction to review the final Order. 28 U.S.C. § 158(a)(1) & (c); Fed. R. Bankr.P. 8002(a).

II. Discussion

[1] [2] CPCA argues that the bankruptcy court erred in refusing to reopen the debtor's Chapter 7 case under § 350(b) for "cause"⁹ because it may file a § 523(a)(2), (4) or (6) complaint against the debtor to determine the dischargeability of its Judgment. An order under § 350(b) related to the reopening of a closed case is reviewed for abuse of discretion.¹⁰ A bankruptcy court that refuses to reopen a Chapter 7 case that has been closed will not abuse its discretion if it cannot afford the moving party any relief in the reopened case.

⁹ 11 U.S.C. § 350(b).

¹⁰ *In re Parker*, 264 B.R. 685, 690 (10th Cir. BAP 2001).

[3] The bankruptcy court did not abuse its discretion in refusing to reopen the debtor's closed Chapter 7 case because it could not afford CPCA any relief if the *799 case were reopened. CPCA's Judgment was discharged by the Discharge Order, and CPCA admits that it did not file a § 523(a)(2), (4) or (6) complaint against the debtor seeking to except the Judgment from discharge prior to the expiration of the Discharge Objection Deadline.¹¹ As discussed below, although § 523(a)(3)(B) could extend the Discharge Objection Deadline, it does not apply in this case because CPCA had formal notice of the debtor's Chapter 7 case through Mr. Coombs, its attorney-agent, prior to the expiration of that Deadline.

¹¹ The Discharge Objection Deadline was established based on § 523(c) and Fed. R. Bankr.P. 4007(c). Section 523(c) requires that a complaint be filed to determine the dischargeability of a debt under § 523(a)(2), (4), (6) and (15), and Fed. R. Bankr.P. 4007(c) states that such a complaint must be filed no later than 60 days after the first date set for the § 341 meeting of creditors. This 60-day deadline may not be enlarged, unless an extension is requested prior to its expiration or § 523(a)(3)(B) applies. Fed. R. Bankr.P. 4007(c) & 9006(b)(3). CPCA did not file a complaint prior to the expiration of the Discharge Objection Deadline, and it did not timely seek an extension of that Deadline under Rules 4007(c) and 9006(b)(3). Thus, it must obtain an extension under § 523(a)(3)(B).

1. Section 523(a)(3)(B).

[4] Section 523(a)(3)(B) states:

(a) A discharge under section 727 ... does not discharge an individual debtor from any debt—

...

(3) neither listed nor scheduled under [section 521\(1\)](#) of this title, with the name, if known to the debtor, of the creditor to whom such debt is owed, in time to permit—

...

(B) if such debt is a kind specified in paragraph (2), (4), or (6) of this subsection, timely filing of a proof of claim and timely request for a determination of dischargeability of such debt under one of such paragraphs, unless such creditor had notice or actual knowledge of the case in time for such timely filing and request[.]¹²

12 [11 U.S.C. § 523\(a\)\(3\)\(B\)](#).

Creditors who prove the applicability of this section are not entitled to an automatic exception of their claims from a debtor's discharge under [§ 523\(a\)\(2\), \(4\) or \(6\)](#). Rather, [§ 523\(a\)\(3\)\(B\)](#) simply permits the filing of a [§ 523\(a\)\(2\), \(4\) or \(6\)](#) complaint after the lapse of any time limitation made applicable under [§ 523\(c\)](#) and [Fed. R. Bankr.P. 4007\(c\)](#).¹³

13 *See n. 11 supra.*

[5] [6] [7] Extension of the time to object to the dischargeability of a debt under [§ 523\(a\)\(3\)\(B\)](#) enforces the performance of the debtor's duties under [§ 521\(1\)](#) which, in turn, insures creditors receive notice of a case and, thus, due process. In particular, [§ 521\(1\)](#) requires debtors to file a Schedule of Liabilities.¹⁴ It is from this Schedule that the clerk of the bankruptcy court derives the names and addresses of creditors to whom a Notice of Commencement of Case, which includes the deadline to file [§ 523\(a\)](#) complaints, is mailed as required under [§ 342\(a\)](#)¹⁵ and [*800 Fed. R. Bankr.P.2002\(f\) \(1\) and \(5\)](#).¹⁶ The Notice of Commencement of Case served based on the information provided by the debtor under [§ 521\(1\)](#) affords creditors due process—*i.e.*, “notice reasonably calculated ... to apprise” creditors “of the pendency of the [debtor's case] and afford them an opportunity to present ... objections” to the discharge of a debt under [§ 523\(a\)\(2\), \(4\) or \(6\)](#).¹⁷ When a debtor does not afford a creditor due process, either by failing to timely schedule a creditor or by scheduling it incorrectly, the

creditor's right to object to the dischargeability of a debt cannot be time-barred under [Fed. R. Bankr.P. 4007\(c\)](#).

14 [Section 521\(1\)](#) also requires the debtor to file a List of Creditors. Under [Fed. R. Bankr.P. 1007\(a\)](#), however, the debtor need not file a List of Creditors if its petition is accompanied by a Schedule of Liabilities. The docket sheet in this case indicates that the debtor filed his petition along with all Schedules, and the parties have relied on the debtor's Schedule F. Thus, we are not concerned with a List of Creditors herein.

15 This section states: “There shall be given such notice as is appropriate ... of an order for relief in a case under this title.” [11 U.S.C. § 342\(a\)](#).

16 [Rule 2002](#) provides, in relevant part, that:

(f) *Other Notices.* ... the clerk ... shall give the debtor, all creditors, and indenture trustees notice by mail of: (1) the order for relief; ... (5) the time fixed for filing a complaint to determine the dischargeability of a debt pursuant to [§ 523](#) of the Code as provided in [Rule 4007](#)....

(g) *Addressing Notices.*

(1) Notices required to be mailed under [Rule 2002](#) to a creditor, indenture trustee, or equity security holder shall be addressed as such entity or an authorized agent has directed in its last request filed in the particular case....

(2) If a creditor or indenture trustee has not filed a request designating a mailing address ..., the notices shall be mailed to the address shown on the ... schedule of liabilities....

[Fed. R. Bankr.P.2002\(f\)\(1\) and \(5\), \(g\)\(2\)](#).

17 *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314, 70 S.Ct. 652, 94 L.Ed. 865 (1950); *see In re Walker*, 927 F.2d 1138, 1144 (10th Cir.1991) (a claim will not be discharged “if the debtor fails to properly schedule the claim and the creditor does not receive notice of the debtor's bankruptcy and the relevant filing dates.”); *Bonner v. Adams (In re Adams)*, 734 F.2d 1094, 1098 (5th Cir.1984) (“It is well settled that if a debtor lists incorrectly the name or address of a creditor in the required schedules, so as to cause the creditor not to receive notice, that creditor's debt has not been ‘duly scheduled’ ... and if the creditor has no actual knowledge of the bankruptcy proceeding, the creditor's debt is not dischargeable.”), *quoted in In re Compton*, 891 F.2d 1180, 1184 (5th Cir.1990); *see generally Reliable Elec. Co. v. Olson Constr. Co.*, 726 F.2d 620 (10th Cir.1984) (discussing application of due process in bankruptcy).

[8] The debtor's duty to afford due process is counterbalanced by the creditors' duty to object to the discharge of a debt if it has *any* notice or knowledge of a Chapter 7 case prior to the expiration of the time limitation set forth in Fed. R. Bankr.P. 4007(c). It is well-established in the Tenth Circuit that upon the receipt of notice or knowledge of a Chapter 7 case, creditors must affirmatively protect their rights by informing themselves of applicable deadlines and timely filing complaints to except their claims against the debtor from discharge.¹⁸ The informed creditor's duty to act timely insures the finality of the discharge granted to the honest and responsible debtor—when the deadline to file dischargeability complaints established under Fed. R. Bankr.P. 4007(c) has lapsed, the debtor is assured that creditors cannot attack the discharge of their individual debts.

¹⁸ *Walker*, 927 F.2d at 1145; *Yukon Self Storage Fund v. Green (In re Green)*, 876 F.2d 854, 856 (10th Cir.1989). These cases expressly distinguish notice required in Chapter 7 cases from notice required in Chapter 11 cases. In *Reliable Electric*, 726 F.2d at 622, the Tenth Circuit held that a creditor in a Chapter 11 case can expect to receive formal notice of important events, and that a debtor's failure to provide such notice may result in the creditor's claim being excepted from discharge. In *Walker and Green*, the Tenth Circuit limited its ruling in *Reliable Electric* to Chapter 11 cases. It held in both cases that creditors with informal knowledge of a Chapter 7 case have a duty to learn about deadlines affecting the dischargeability of their claims, and that § 523(a)(3)(B) does not extend applicable deadlines despite lack of formal notice. CPCA's extensive reliance on *Reliable Electric*, therefore, is unpersuasive.

*801 [9] Section 523(a)(3)(B) thus makes three points clear: (1) a debtor who seeks the benefit of a discharge has a duty to notify creditors affected by the discharge of his or her case to allow them an opportunity to object thereto; (2) creditors with formal notice of a case have a duty to timely protect their rights against a debtor; but (3) even if the debtor does not provide creditors with formal notice of his or her case, the debtor nevertheless will receive a discharge if a creditor actually knows of the case and fails to timely protect its rights.

This case involves the debtor's duty to properly schedule CPCA in his Chapter 7 case to provide CPCA formal notice, not whether CPCA had actual knowledge of

the case.¹⁹ All parties agree that the debtor's Schedule of Liabilities, Schedule F, listed CPCA, and that the Bankruptcy Notice was timely mailed by the bankruptcy court clerk to CPCA at the address listed by the debtor in his Schedule F as required by § 342(a) and Fed. R. Bankr.P.2002(f)(1) and (5) and (g)(2). The point of contention is whether the debtor properly listed CPCA in care of its attorney, or whether he was required to schedule CPCA at its own address.

¹⁹ It is undisputed that CPCA did not know about the case prior to the expiration of the Discharge Objection Deadline, and no evidence was presented in the bankruptcy court as to whether an agent of CPCA actually knew about the case prior to that time.

[10] A review of the law discussed below and the facts of this case lead us to the conclusion that the debtor properly scheduled CPCA in care of its attorney, because the attorney listed was its agent in matters related to the Fraud Action and the Judgment subject to discharge in the Chapter 7 case. The attorney-agent's receipt of formal notice prior to the expiration of the Discharge Objection Deadline²⁰ is imputed to CPCA and, thus, precludes the application of § 523(a)(3)(B) because CPCA did not timely protect its rights under § 523(a). The debtor had a right to rely on the discharge of the Judgment when the Discharge Order was entered inasmuch as he adequately performed his duty of timely notifying CPCA of his case. Because CPCA cannot seek to except its Judgment from discharge, reopening the debtor's Chapter 7 case would serve no purpose.

²⁰ Papers sent by United States mail are presumed received by the addressee, absent evidence to the contrary. *See, e.g., Rosenthal v. Walker*, 111 U.S. 185, 193, 4 S.Ct. 382, 28 L.Ed. 395 (1884); *In re Eagle Bus Mfg., Inc.*, 62 F.3d 730, 735 (5th Cir.1995); *In re Bucknum*, 951 F.2d 204, 206–07 (9th Cir.1991); *Denmon v. Runyon*, 208 B.R. 225 (D.Kan.1997); *In re Grand Union Co.*, 204 B.R. 864 (Bankr.D.Del.1997). Here, it is undisputed that the bankruptcy court clerk sent the Bankruptcy Notice to CPCA to the address listed in the debtor's Schedule F. Thus, it must be presumed that the Bankruptcy Notice was received by the addressee. This presumption was in no way rebutted by CPCA.

2. A debtor may schedule a creditor in care of its attorney for the purpose of providing notice under

§ 523(a)(3)(B), provided that the attorney is the creditor's agent in matters related to the Chapter 7 case.

[11] [12] [13] [14] [15] We must determine whether the debtor properly scheduled CPCA in care of its attorney, the party who is presumed to have received formal notice of the Chapter 7 case prior to the expiration of the Discharge Objection Deadline, or whether the debtor was required to schedule CPCA at its address. If CPCA's own address was required, service of the Bankruptcy Notice on the address listed in the debtor's Schedule F would not constitute *802 "notice" to CPCA under § 523(a)(B)(3). On the other hand, if CPCA could be scheduled in care of its attorney, as done by the debtor herein, service of the Bankruptcy Notice on the attorney could be "notice" to CPCA under § 523(a)(3)(B).

The Bankruptcy Code and the applicable Federal Rules of Bankruptcy Procedure provide little guidance as to the address that a debtor must use to properly schedule a creditor. But, under agency law, § 342(a) and due process, and established Tenth Circuit law, it may be appropriate for the debtor to schedule the creditor in care of its attorney provided the attorney is the creditor's agent in matters related to the debtor. If the attorney is the creditor's agent, agency law permits notice received by the attorney-agent to be imputed to the creditor. Such imputed notice may, depending on the facts of the case, be "notice" under § 523(a)(3)(B).

Federal Rule of Bankruptcy Procedure 1007(b) is the only authority governing how a debtor must list creditors in its Schedule of Liabilities. It states that the debtor's Schedule of Liabilities must be "prepared as prescribed by the appropriate Official Forms."²¹ Official Form 6 contains all of the Schedules that a debtor must file, including the Schedule of Liabilities. Schedule F is part of the Schedule of Liabilities, and it instructs the debtor to list its general unsecured creditors by name and mailing address. Rule 1007(b) and Official Form 6 do not mention a creditor's attorney or agent. Thus, it is arguable that debtors must list a creditor at its address, not the address of its attorney or agent.²² But, such a narrow reading of Rule 1007 and Official Form 6 does not appear to be warranted under well-established agency law.

²¹ Fed. R. Bankr.P. 1007(b)(1).

²² See, e.g., *Carpet Servs., Inc. v. Hutchison (In re Hutchison)*, 187 B.R. 533, 535–36

(Bankr.S.D.Tex.1995) (relying on Rule 1007(a)(1), debtor may not schedule creditor care of its attorney) (citing cases).

An attorney may be an agent of his or her client,²³ and notice to an agent-attorney can be imputed to the principal-client.²⁴ It has thus been held that debtors may list a creditor in care of its attorney in their Schedule of Liabilities, provided that the attorney is the creditor's agent in the context of the bankruptcy case, and notice to the attorney-agent will be "notice" under § 523(a)(3)(B).²⁵ While an attorney *803 need not have been retained to represent a creditor in a bankruptcy case or be a bankruptcy attorney, it is important that there be some nexus between the creditor's retention of the attorney and the creditor's issues with the debtor. It is generally held that an attorney who represents the creditor in matters against a debtor prepetition, such as in obtaining or collecting a judgment that will be affected by discharge, will be an agent of the creditor in the context of a debtor's bankruptcy case.²⁶

²³ See, e.g., *Hess v. Conway*, 92 Kan. 787, 142 P. 253, 255 ("Hess I"), *reh'g denied*, 93 Kan. 246, 144 P. 205 (1914) ("Hess II"), *aff'd*, 241 U.S. 624, 36 S.Ct. 681, 60 L.Ed. 1211 (1916); see also *In re Land*, 215 B.R. 398, 404 (8th Cir. BAP 1997); *In re Linzer*, 264 B.R. 243, 248–49 (Bankr.E.D.N.Y.2001); *Pure in Heart Baptist Church v. Fulton*, 3 B.R. 600, 603 (Bankr.E.D.Mich.1980), *rev'd on other grounds*, Civ. A. No. 80–72788, 1980 WL 95629 (E.D.Mich. Nov.14, 1980).

²⁴ *Hess II*, 144 P. at 208 ("The law ... imputes the knowledge of the attorney to the client precisely as it imputes the knowledge of the agent ... to his principal."); *Hess I*, 142 P. at 255 ("Notice to an agent or attorney is notice to his principal or client in regard to the matter in which he is engaged.... Notice to the attorney which will bind the client must be notice in the particular transaction in which the client has employed him." (internal quotations omitted)); see generally *City of Arkansas City v. Anderson*, 243 Kan. 627, 762 P.2d 183, 189 (1988) (agency law imputes knowledge of agent to principal); accord *Rosenbaum v. Texas Energies, Inc.*, 241 Kan. 295, 736 P.2d 888 (1987); *Supreme Petroleum, Inc. v. Briggs*, 199 Kan. 669, 433 P.2d 373 (1967); *Mackey v. Bd. of County Comm'rs*, 185 Kan. 139, 341 P.2d 1050 (1959).

²⁵ See, e.g., *Maldonado v. Ramirez*, 757 F.2d 48, 51 (3rd Cir.1985); *Ford Motor Credit Co. v. Weaver*, 680 F.2d 451, 457 (6th Cir.1982) (citing cases);

Slaiby v. Rassman (In re Slaiby), 57 B.R. 770, 773 (D.N.H.1985) (citing cases); *Linzer*, 264 B.R. at 248–49; *Western Bank v. Silver (In re Silver)*, 107 B.R. 328, 329 (Bankr.D.N.M.1989) (citing cases); *see generally In re Locust Bldg. Co.*, 299 F. 756, 769 (2d Cir.1924) (imputed notice, citing cases); *Land*, 215 B.R. at 404 (notice in context of Fed. R. Bankr.P. 1014(a)(2)); *Linder v. Trump's Castle Assocs.*, 155 B.R. 102, 104–05 (D.N.J.1993) (notice of claims bar date, citing cases); *Hess I*, 142 P. at 255 (agency must be in context of case); *cf. Fed. R. Bankr.P. 7004(b)(3)* (process on a corporation shall be served on an officer, managing or general agent, or any agent authorized by appointment or by law to receive such service).

26 *See, e.g., In re Price*, 871 F.2d 97, 99 (9th Cir.1989); *Maldonado*, 757 F.2d at 51; *Ford Motor Credit*, 680 F.2d at 457–58 (citing cases); *Land*, 215 B.R. at 404; *Linder*, 155 B.R. at 104–105 (citing cases); *Slaiby*, 57 B.R. at 773 (citing cases); *Linzer*, 264 B.R. at 248; *Silver*, 107 B.R. at 329 (citing cases); *Fulton*, 3 B.R. at 603.

Scheduling a creditor in care of an agent-attorney may not, depending on the facts of the case, be offensive under § 342(a) or due process. Neither require the “best” notice. Section 342(a) only requires notice that is “appropriate,” and due process mandates notice “reasonably calculated” to apprise creditors of a case.²⁷ Notice sent to an agent-attorney in certain circumstances, therefore, may be appropriate and reasonably calculated to inform the client-creditor of the case. Indeed, given an agent's duties to its principal and an attorney's duties to its client,²⁸ it may be reasonable to assume that notice to the agent-attorney will be relayed to the principal-client-creditor. This assumption holds even when the attorney's retention has been terminated by the client, if the termination is unknown to the debtor.²⁹

27 11 U.S.C. § 342(a); *Mullane*, 339 U.S. at 314, 70 S.Ct. 652.

28 *See, Locust Bldg. Co.*, 299 F. at 768; *see also Kan. S.Ct. R. 226*, incorporating Kan R. Prof. Conduct 1.3 (“A lawyer shall act with reasonable diligence and promptness in representing a client”); *id.* at 1.4(a) (“A lawyer shall keep a client reasonably informed about the status of a matter....”).

29 *See Comment (Assisting the Client Upon Withdrawal)*, Kan. S.Ct. R. 226, incorporating Kan. R. Prof. Conduct 1.16 (after an attorney's discharge,

even an unfair discharge, “the lawyer must take all reasonable steps to mitigate the consequences to the client.”).

Although the Tenth Circuit has not directly addressed whether a debtor properly schedules a creditor in care of an attorney-agent for purposes of providing proper formal notice under § 523(a)(3)(B), it has, without discussion, imputed an attorney's actual knowledge of a Chapter 7 case to his or her client-creditor for purposes of § 523(a)(3)(B). Specifically, in *In re Walker*³⁰ and *Yukon Self Storage Fund v. Green (In re Green)*,³¹ the Tenth Circuit upheld bankruptcy court orders barring unscheduled creditors from filing untimely dischargeability complaints against the Chapter 7 debtors. The creditors did not receive formal notice of these cases, but their attorneys were notified of or obtained actual knowledge of the cases, and this notice or knowledge was imputed to their creditor-clients for purposes of § 523(a)(3)(B). In both cases, the Tenth Circuit must have assumed that the attorneys were agents of their creditor-clients.

30 927 F.2d at 1144–45.

31 876 F.2d at 856.

*804 Concluding that a debtor may schedule a creditor in care of its attorney-agent in appropriate circumstances, we must determine whether the debtor scheduled CPCA in care of its agent and whether the circumstances of this case warranted such a listing. For the reasons stated below, Mr. Coombs of Coombs & Hull was CPCA's agent under Kansas law in the Fraud Action. Mr. Coombs's agency in the Fraud Action had a nexus with the debtor's Chapter 7 case inasmuch as the Fraud Action resulted in the Judgment that the debtor scheduled in his Schedule F which was subject to discharge. Mr. Coombs's agency and the circumstances of the case made the debtor's scheduling of CPCA appropriate, and Mr. Coombs's formal notice of the Chapter 7 case may be imputed to CPCA. CPCA's notice of the debtor's Chapter 7 case prior to the expiration of the Discharge Objection Deadline bars an extension of that Deadline under § 523(a)(3)(B).

3. *Mr. Coombs of Coombs & Hull was CPCA's agent in the Fraud Action under Kansas Law and, therefore, notice of the debtor's Chapter 7 case to him is imputed to CPCA for purposes of § 523(a)(3)(B).*

[16] [17] [18] [19] [20] [21] [22] [23] [24] [25]
Kansas agency law has been summarized as follows:

Kansas has defined “agency” as a contract by which one of the parties confides to the other the management of some business to be transacted in his name, or on his account, and by which that other assumes to do the business and to render an account of it. An agency relationship may be either express or implied. An express agency exists if the principal has delegated authority to the agent by words which expressly authorize the agent to do a delegable act. An implied agency may exist if it appears from statements and conduct of the parties and other relevant circumstances that the intention was to clothe the agent with such an appearance of authority that when the agency was exercised it would normally and naturally lead others to rely on the person's acts as being authorized by the principal.

Where the relationship of principal and agent is in issue, the party relying thereon to establish his claim or demand has the burden of establishing its existence by clear and satisfactory evidence. An agency relationship may exist notwithstanding either a denial by the alleged principal or whether the parties understood it to be an agency. The determination of what constitutes agency and whether there is any competent evidence reasonably tending to prove the relationship is a question of law.³²

³² *Turner & Boisseau, Chtd. v. Marshall Adjusting Corp.*, 775 F.Supp. 372, 377–78 (D.Kan.1991) (citations and internal quotations omitted).

The Kansas Supreme Court has further added that implied agency “may exist if a principal has intentionally or by want of ordinary care induced and permitted third persons to believe a person is his or her agent even though no authority, either express or implied, has been actually conferred on the agent.”³³ And,

³³ *Shawnee State Bank v. North Olathe Indus. Park, Inc.*, 228 Kan. 231, 613 P.2d 1342 (1980), quoted in *Professional Lens Plan, Inc. v. Polaris Leasing Corp.*, 238 Kan. 384, 710 P.2d 1297, 1303 (1985).

[T]he plaintiff establishes agency by a preponderance of the evidence, but this evidence must be clear and convincing in nature. On review, this court considers only the evidence of the successful party to determine whether it is substantial *805 and whether it is of a clear and convincing quality.

....

The test utilized by this court to determine if the alleged agent possesses implied powers is whether, from the facts and circumstances of the particular case, it appears there was an implied intention to create an agency, in which event the relationship may be held to exist, notwithstanding either a denial by the alleged principal or whether the parties understood it to be an agency.³⁴

³⁴ *Barbara Oil Co. v. Kansas Gas Supply Corp.*, 250 Kan. 438, 827 P.2d 24, 32–34 (1992).

Based on this law and the totality of circumstances of this case, Mr. Coombs was CPCA's agent in the Fraud Action when the debtor's Schedule F was filed in March 1996.

CPCA had no direct contact with the debtor after the Judgment was rendered in 1984 notifying him of its name changes. When the debtor filed his 1996 Chapter 7 petition approximately twelve years later, it was therefore reasonable that he would schedule the Judgment-creditor known to him—CPCA. There is no record that the debtor had any address for CPCA, whether in 1984 or otherwise—CPCA's address does not appear in the Fraud Action papers or anywhere in this Court's record. No address coupled with the fact that there was no entity named CPCA in 1996, also makes it reasonable that the debtor scheduled CPCA at the address of its last attorney of record to in the Fraud Action—Mr. Coombs—the very attorney who represented CPCA in obtaining the Judgment sought to be discharged.³⁵ There not being any other CPCA contact in the Fraud Action records, Mr. Coombs's appearance on the CPCA's behalf as late as 1991 constituted CPCA's representation to third parties, including the debtor, that Mr. Coombs was its agent in the Fraud Action. This representation was sufficient to establish Mr. Coombs as CPCA's agent in the Fraud Action under Kansas law, regardless of whether he was actually retained by CPCA at that time, whether CPCA agrees with his status as its agent, or whether the parties understood an agency relationship to exist.

³⁵ We note that some confusion has arisen in this case due to the fact that Mr. Coombs is CPCA's agent, yet the debtor actually named Coombs & Hull as the addressee in Schedule F, not Mr. Coombs. The bankruptcy court confused this point. It held that Coombs & Hull was the attorney of record in the

Fraud Action and, therefore, it was reasonable for the debtor to list CPCA c/o Coombs & Hull. Coombs & Hull, however, was *not* the law firm of record in the Fraud Action at any time. Coombs & Hull appears nowhere in the Fraud Action pleadings presented to this Court. It is only Mr. Coombs of “Coombs & Pringle” that appears as counsel of record in the Fraud Action. The bankruptcy court's incorrect finding of fact caused it to focus on Coombs & Hull's receipt of the Bankruptcy Notice. Yet, it had no evidence of Coombs & Hull's address. Thus, it was impossible to make any findings on this point.

Although Schedule F lists CPCA c/o Coombs & Hull, the P.O. Box stated was established to be Mr. Coombs's address. It has not been disputed that Mr. Coombs was employed with Coombs & Hull at all relevant times. Therefore, as recognized by CPCA's primary witness, mail addressed to Coombs & Hull at P.O. Box 306, Chanute, Kansas would in fact be sent to Mr. Coombs of Coombs & Hull. Because the address scheduled by the debtor was established to be Mr. Coombs's address and Mr. Coombs was CPCA's agent in the Fraud Action, it is unnecessary to consider Coombs & Hull's involvement in this case at all other than through the actions of Mr. Coombs.

By scheduling CPCA through its agent Mr. Coombs, the debtor gave the best notice of his Chapter 7 case to CPCA that was possible under the circumstances. He therefore fulfilled his duty to properly *806 schedule CPCA and afford it due process. As such, the Bankruptcy Notice sent to Mr. Coombs was “notice” of the debtor's case that may be imputed to CPCA. CPCA's formal notice of the Chapter 7 case through its agent-attorney made it imperative for CPCA to perform its coterminous duty of timely filing a § 523(a)(2), (4) or (6) complaint against the debtor. Its failure to do so bars it from obtaining an extension of time to file such a complaint under § 523(a)(3)(B). Accordingly, the bankruptcy court correctly concluded that CPCA's Judgment was discharged and, therefore, there was no “cause” to reopen the debtor's closed Chapter 7 case under § 350(b).

III. Conclusion

For the reasons stated above, the bankruptcy court did not abuse its discretion in entering the Reopen Order. Any § 523(a) action that CPCA could have filed against the debtor was time-barred, and its Judgment was discharged. Thus, the bankruptcy court could not afford CPCA

any relief in a reopened case. The Reopen Order is **AFFIRMED**.

CORDOVA, Bankruptcy Judge, Dissenting.

The Chanute Production Credit Association (“CPCA”) appeals from an order of the United States bankruptcy court for the District of Kansas denying its Motion to Reopen the Chapter 7 case of the Debtor, Michael Charles Schicke. The majority concludes that the bankruptcy court did not abuse its discretion in denying the Motion to Reopen, and affirms the bankruptcy court's judgment. For the following reasons, I respectfully dissent.

I agree that the bankruptcy judge did not err in denying the Motion to Reopen simply because it was not necessary to do so to hear CPCA's complaint. *Watson v. Parker (In re Parker)*, 313 F.3d 1267 (10th Cir.2002). Section 523(a)(3)(B)¹ is a “stand alone” exception to discharge, excepting debts that were not listed or scheduled in time for a creditor to file a timely complaint under §§ 523(a)(2), (4), or (6). CPCA obtained a judgment against the Debtor based on fraud and therefore could have brought a complaint under § 523(a)(2), but because it had no knowledge or notice of the bankruptcy that would have allowed it to timely file such a complaint, it should have been permitted to prosecute its complaint under § 523(a)(3)(B). I disagree that CPCA should be barred from bringing an action under § 523(a)(3)(B) to determine dischargeability of its judgment.

¹ Unless otherwise stated, all statutory references are to title 11 of the United States Code.

Based on the facts as set forth in the record and ably recounted in the majority's opinion, I conclude that the Debtor failed to give adequate and effective notice of the filing of the bankruptcy case to the creditor, CPCA. The record is clear and the evidence is undisputed that CPCA received no formal notice that the Debtor filed a bankruptcy petition, and had no actual knowledge of the filing prior to the entry of discharge. The only testimony regarding notice came from CPCA's officer, who stated CPCA had neither notice nor knowledge in time for them to have filed a complaint under § 523(a)(2),(4), or (6) prior to the Debtor's discharge. Further, it is undisputed that the Debtor sent notice of his bankruptcy filing to CPCA in care of the law firm of Coombs and Hull, at the law firm's address. While William D. Coombs of Coombs and

Pringle had represented CPCA in obtaining the judgment against the Debtor in 1981, neither Coombs & Pringle nor Coombs & Hull represented CPCA in the bankruptcy case.

***807** Furthermore, at the time of the filing, the address listed for Coombs and Hull was an incorrect address. In fact, although the testimony at trial indicated that Mr. Hull had once been Mr. Coombs' partner, and documents produced at trial indicate that Mr. Coombs had owned the post office box known as P.O. Box 306, Chanute, Kansas 66720 in 1996, there is no document in the record that refers to Coombs & Hull. The April 16, 1984 Journal Entry in the Montgomery County Court case was filed by Mr. Pringle of Coombs and Pringle, 10 South Steuben, Chanute, Kansas, 66720. The March 14, 1989 Notice of Appearance for CPCA and the July 18, 1991 Praecipe for Execution, both filed in the Montgomery County case, were filed by Frank Beyerl, Whittaker & Beyerl, Chartered, 223 N. Main, P.O. Box 188, Eureka, Kansas, 67045. The October 22, 1991 Request for Execution filed in the Montgomery County case is the only document in the record signed by Mr. Coombs, and he lists his firm as Coombs & Pringle. That document includes a telephone number, but no address. In addition, Mr. Pringle's affidavit states that his address since 1994 has been 702 E. Main, Suite B, P.O. Box 748, Chanute, Kansas 66720. (See Appellant's Appendix, Transcript of Hearing, with attached exhibits admitted at hearing).

The Debtor admitted he did not send notice directly to CPCA because he claimed he could not find its name in the Chanute, Kansas telephone book and could not otherwise find an address for it. I conclude that his efforts to obtain a current address were insufficient and not reasonably calculated to give notice to CPCA. Creditors are entitled to procedural due process and adequate notice, and these rights may not be dispensed with for the sake of convenience or simplicity. *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 313, 70 S.Ct. 652, 94 L.Ed. 865 (1950).

Section 521(1) requires a debtor to file a list of creditors with the bankruptcy petition. Rule 1007(a)(1)² directs a debtor to provide the names and addresses of those creditors. Rule 2002(a) states that these creditors are to be given at least 20 days notice of the first meeting of creditors under § 341(b), and Rule 2002(f)(5) specifies that they be given notice of the time for filing a complaint to

determine the dischargeability of a debt pursuant to § 523, as provided by Rule 4007. Rule 4007, in turn, requires that creditors be afforded 30 days notice of the time fixed for filing a complaint under § 523(a), and the complaint must be filed within 60 days of the date first set for the § 341 meeting. If a creditor fails to file a timely complaint under §§ 523(a)(2), (4), and (6), the debt is discharged.

² All Rule references are to the Federal Rules of Bankruptcy Procedure.

In this case, CPCA did not file a complaint within the 60 day period because it had no notice or actual knowledge of the filing. There is no proof that the law firm of Coombs and Hull received or delivered the initial notice to CPCA. The bankruptcy court imputed the law firm's receipt of the subsequent discharge notice as proof that the firm had received the initial notice and forwarded it to CPCA. There is no factual or legal basis for making such a "leap of faith," especially in the face of evidence to the contrary. Proof of receipt of a document does not constitute proof of receipt of an earlier document. To find as the bankruptcy court did dispenses with the necessity for complying with procedural rules, and countenances the listing of an attorney's address rather than the creditor's, even if that attorney neither represents the creditor in the bankruptcy case, nor has a continuing attorney-client relationship.

***808** Finding that giving notice to Coombs and Hull constituted adequate notice to CPCA because William D. Coombs represented CPCA in obtaining a judgment some 12 years previously, and was therefore CPCA's agent, simply manufactures a connection between the firm and CPCA that is too attenuated to meet due process standards.

The legal standard for notice is whether the notice given was reasonably calculated to give notice to a party, or was reasonably calculated under all of the circumstances to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections. *Mullane*, 339 U.S. at 313, 70 S.Ct. 652. In *Yukon Self Storage Fund v. Green (In re Green)*, 876 F.2d 854, 856–57 (10th Cir.1989), the Tenth Circuit found that formal notice to a creditor was not required in a Chapter 7 case where the creditor had actual, timely notice of the bar date. In this case the creditor had neither.

The failure to give adequate notice to CPCA in this case is especially egregious considering that CPCA held a judgment against the Debtor in the amount of \$583,186.00

based on fraud. Debtor listed only three other unsecured claims totaling \$29,605.00. The Debtor's efforts to give notice fell far short of someone genuinely interested in providing a creditor with notice and an opportunity to file a complaint. It is fair to conclude that actual notice was never contemplated.

In conclusion, the facts of this case do not support the proposition that CPCA received notice or had actual


knowledge of the filing. Further, there is no factual or legal basis upon which to find implied notice based on a previous attorney-client relationship. Therefore, I dissent.

All Citations

290 B.R. 792

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927 F.2d 1138
United States Court of Appeals,
Tenth Circuit.

In re Ralph L. WALKER, Debtor.
Ralph L. WALKER, Appellee,
v.
Robert WILDE, Monty Higley
and Jonnie Higley, Appellants.

No. 89-4086.

|
March 13, 1991.

Creditors moved for relief from Chapter 7 postdischarge injunction in order to proceed in state court to confirm their right to monies received from Real Estate Recovery Fund on debt owed them by discharged debtor real estate licensee after Supreme Court reversed state court judgment awarding creditors monies from Fund. The United States Bankruptcy Court, 91 B.R. 968, denied motion. Creditors appealed. The United States District Court for the District of Utah, 103 B.R. 281, Aldon J. Anderson, J., affirmed. Creditors appealed. The Court of Appeals, Logan, Circuit Judge, held that: (1) provision of Utah code automatically revoking real estate license upon payment from Real Estate Recovery Fund violated supremacy clause and was unenforceable against discharged debtor and could not prejudice his fresh start, and thus, creditors were entitled to continue their action against discharged debtor for sole purpose of confirming their right to monies from Fund; (2) possibility that debtor might incur some legal expense in defending against creditors' suit in state court did not constitute sufficient prejudice to debtor's fresh start to preclude relief from postdischarge injunction; and (3) creditors' actual knowledge of debtor's Chapter 7 proceeding barred creditors from challenging dischargeability of their claim 15 months after bar date.

Affirmed in part; reversed in part and remanded.

West Headnotes (9)

[1] **Bankruptcy**

 Protection Against Discrimination or Collection Efforts in General; "Fresh Start."

Bankruptcy

 Discharge as Injunction

Provision automatically revoking real estate license upon payment from Utah Real Estate Recovery Fund (Fund) on behalf of licensee violated supremacy clause and was unenforceable against discharged debtor real estate licensee and could not prejudice his fresh start, and thus, creditors were entitled to relief from postdischarge injunction to continue state court action against debtor licensee for sole purpose of confirming their right to monies paid to them from Fund. Bankr.Code, 11 U.S.C.A. §§ 524(a)(2), (e), 525(a); U.C.A. 1953, 61-2a-9; U.S.C.A. Const. Art. 6, cl. 2.

[13 Cases that cite this headnote](#)

[2] **Bankruptcy**

 Discharge as Injunction

Bankruptcy Code permits creditor to bring or continue action directly against discharged debtor for purpose of establishing debtor's liability when establishment of that liability is prerequisite to recovery from another entity. Bankr.Code, 11 U.S.C.A. § 524(e).

[32 Cases that cite this headnote](#)

[3] **Bankruptcy**

 Discharge as Injunction

Creditors' delay in seeking relief from Chapter 7 postdischarge injunction in order to continue state court action against discharged debtor real estate licensee for sole purpose of confirming their right to monies from Utah Real Estate Recovery Fund (Fund) was not grounds for denial of relief, where creditors needed no relief from injunction until debtor persuaded Supreme Court to void state court

judgment which had served as basis for creditors' recovery from Fund, once Supreme Court voided judgment, creditors moved promptly in bankruptcy court to obtain relief, and there was no evidence that debtor was in fact prejudiced by delay. Bankr.Code, 11 U.S.C.A. § 524(e).

[9 Cases that cite this headnote](#)

[4] Bankruptcy

 [Discharge as Injunction](#)

Fact that discharged debtor real estate licensee might incur some legal expenses in defending against creditors' state court action against debtor for purpose of confirming their right to payment from Utah Real Estate Recovery Fund due to debtor real estate licensee's deceptive appropriation of funds did not constitute sufficient prejudice to debtor's fresh start to preclude granting creditors relief from Chapter 7 postdischarge injunction. Bankr.Code, 11 U.S.C.A. § 524(a)(2).

[19 Cases that cite this headnote](#)

[5] Bankruptcy

 [Time for Proceedings](#)

Creditors were barred from challenging dischargeability of their claim in Chapter 7 proceedings some 15 months after bar date for such complaint, despite creditors' failure to receive formal notice of proceedings due to debtor's failure to properly schedule claim, where creditors had actual knowledge of proceedings in ample time to prepare and timely file necessary request for determination of dischargeability. Bankr.Code, 11 U.S.C.A. § 523(a)(3)(B), (c); Bankruptcy Rule 4007(c), 11 U.S.C.A.

[18 Cases that cite this headnote](#)

[6] Bankruptcy

 [Time for Proceedings](#)

Creditors holding unsecured claim who had actual notice of Chapter 7 proceedings did not have right to assume receipt of further notice

before claim was forever barred. Bankr.Code, 11 U.S.C.A. § 523(a)(3)(B).

[4 Cases that cite this headnote](#)

[7] Bankruptcy

 [Time for Proceedings](#)

Chapter 11 creditor does have right to assume that he will receive all notices required by statute before his claim is forever barred.

[5 Cases that cite this headnote](#)

[8] Bankruptcy

 [Particular Cases and Issues](#)

Bankruptcy court's conclusion that actual notice six weeks prior to bar date was sufficient time for Chapter 7 creditors to prepare and file their complaint for determination of dischargeability was not clearly erroneous. Bankr.Code, 11 U.S.C.A. § 523(a)(3)(B).

[2 Cases that cite this headnote](#)

[9] Bankruptcy

 [Extension of Time](#)

Creditors failed to discharge their duty of inquiry so as to be entitled to extension of time in which to file discharge complaint in Chapter 7 proceedings, even though creditors submitted written inquiry to bankruptcy court to verify that debtor had declared bankruptcy after being notified of such through another creditor of debtor, where creditors failed to take any number of actions which would have informed them of bar date including contacting debtor or trustee directly, additional contact with creditor who originally provided creditor with actual notice of bankruptcy, and retention of local counsel to review bankruptcy file. Bankr.Code, 11 U.S.C.A. § 523(a)(3)(B).

[5 Cases that cite this headnote](#)

Attorneys and Law Firms

*1139 [John K. Rice](#), Midvale, Utah, for appellants.

Before [LOGAN](#), MOORE and [BALDOCK](#), Circuit Judges.

Opinion

[LOGAN](#), Circuit Judge.

Defendants-appellants Robert Wilde, Monty Higley and Jonnie Higley seek to *1140 establish the Higleys' right to recover from Utah's Real Estate Recovery Fund for a discharged claim against debtor-appellee Ralph L. Walker. As part of this effort, defendants filed motions with the bankruptcy court for relief from the Bankruptcy Code's injunction against continuing or commencing actions concerning discharged debts, *see* 11 U.S.C. § 524(a)(2), and for an extension of time in which to challenge the discharge of their claim against Walker. The bankruptcy court denied both motions and the district court affirmed. We affirm in part and reverse in part.

The following facts are undisputed unless otherwise noted:

In April 1985, the Higleys, through their counsel Robert Wilde, filed suit against real estate agent Ralph L. Walker and others in Utah state court for Walker's alleged deceptive appropriation of funds from the Higleys during a consumer real estate transaction. The proceeding was halted temporarily when Walker filed a chapter 11 petition in bankruptcy court in Utah, but resumed when that petition was dismissed. On the day before trial, however, Walker, who was not represented by counsel, telephoned Wilde and the bankruptcy court and reported that he would not appear at trial because he again intended to file for bankruptcy. Trial nonetheless proceeded in Walker's absence and concluded with the court stating that upon consideration of the Higleys' offer of proof, it would enter judgment in their favor in the amount of \$3950.00 plus fees, costs and interest. Walker filed for chapter 7 bankruptcy one day later, on November 21, 1986, in the United States Bankruptcy Court for the District of Colorado.

The state district court formally entered judgment against Walker on November 26, 1986, five days after he had filed his second bankruptcy petition. Walker did not inform the state district court that he had filed for

bankruptcy before the court entered this judgment. The record also establishes that the Higleys did not receive the bankruptcy court's January 22, 1987, notice of the filing.¹ Instead, the Higleys first learned of Walker's bankruptcy filing on February 26, 1987, more than three months after they obtained judgment, when another of Walker's creditors provided Wilde with the name and address of the bankruptcy court in which Walker had filed, the case number and the name and address of Walker's chapter 7 trustee. Wilde called the Colorado bankruptcy court to verify this information, but was told to submit a written inquiry. Wilde did so on March 12, 1987, but did not receive a response from the court until May 21, 1987, well after the bankruptcy court's April 12, 1987, bar date for filing objections to the dischargeability of any of Walker's debts. Neither Wilde nor the Higleys appear to have taken any other action to protect the Higleys' rights in the bankruptcy court after they learned of Walker's bankruptcy. Walker ultimately was issued a chapter 7 discharge of his debts, including the Higleys' claim against him, on June 26, 1987.

¹ Walker apparently listed a \$6000.00 debt to "M. Higley c/o Rob't Wilde" in his schedule of debts, but provided an incorrect address for Mr. Wilde. In addition, neither Higley nor Wilde's name or address appears in the certified copy of the bankruptcy court's mailing matrix for notices to creditors.

After learning that Walker had declared bankruptcy, the Higleys petitioned the state district court for an order directing payment of their judgment out of Utah's Real Estate Recovery Fund (Fund), a monetary fund established by the State of Utah to satisfy judgments against real estate licensees in actions based on fraud, misrepresentation or deceit committed in real estate transactions. *See* Utah Code Ann. §§ 61-2a-1 through -12. The state district court granted the Higleys' petition and on September 21, 1987, the State of Utah complied with the court's order by paying the Higleys \$3950.00.

Two days later, on September 23, 1987, Walker filed a motion in Utah state court to vacate the judgment against him.² In *1141 his motion, he alleged that the judgment was void because it was entered after he filed for bankruptcy and hence after the automatic stay imposed by 11 U.S.C. § 362(a) had gone into effect. On November 16, 1987, Walker filed an adversary proceeding against the Higleys and attorney Wilde, similarly claiming violation

of the Bankruptcy Code's automatic stay provisions and seeking damages under [11 U.S.C. § 362\(h\)](#).

² Walker's renewed objection to the judgment was likely the result of Utah automatically revoking his real estate license as a result of payment being made from the Fund on his behalf. See [Utah Code Ann. § 61-2a-9](#) (before 1989 amendment).

The state district court denied Walker's motion to vacate the state court judgment on the ground that it was untimely. Walker appealed, and on March 3, 1988, the Utah Supreme Court reversed and ruled that the state court judgment was void because it was entered after Walker had filed his last bankruptcy petition. On May 23, 1988, the state district court entered an order vacating the judgment pursuant to the supreme court ruling. The Utah Attorney General then requested that the state court order the Higleys to repay the Fund the \$3950.00 previously paid to them in satisfaction of the now-void judgment. The record on appeal does not reveal whether this motion was successful or whether the Higleys have otherwise been compelled to repay the Fund.

On July 15, 1988, the Higleys responded to the recovery efforts of the Utah Attorney General by filing various motions in the bankruptcy court³ intended to confirm their right to the monies received from the Fund. These motions included requests for the bankruptcy court (1) to annul the automatic stay and retroactively validate the prior state court judgment; (2) to modify the permanent post-discharge injunction set forth in [11 U.S.C. § 524\(a\)\(2\)](#) to allow the Higleys to finalize and enforce their judgment against the Fund; (3) to determine that their claim against Walker was not dischargeable and hence was not included in Walker's June 1987 discharge and/or (4) to allow them an extension of time in which to challenge the dischargeability of this claim. The bankruptcy court denied each of these motions in a published memorandum opinion. *Walker v. Wilde (In re Walker)*, 91 B.R. 968 (Bankr.D.Utah 1988).

³ In response to the Higleys' petition, the Colorado bankruptcy court transferred both this adversary proceeding and Walker's main bankruptcy case to the United States Bankruptcy Court for the District of Utah on March 3, 1988.

The Higleys appealed the bankruptcy court's denial of their motions for relief from the post-discharge injunction

or for an extension of time in which to determine the dischargeability of their claim against Walker. The district court affirmed, *Walker v. Wilde (In re Walker)*, 103 B.R. 281 (D.Utah 1989), and this appeal timely followed.

I

[1] In reviewing the bankruptcy court's decision, we will accept the court's findings of fact unless clearly erroneous, while considering its conclusions of law *de novo*. *C.I.T., Fin. Servs., Inc. v. Posta (In re Posta)*, 866 F.2d 364, 366-67 (10th Cir.1989). Based on this review, we reverse the district court's decision on the injunction issue, but affirm its decision regarding the Higleys' untimely attempt to challenge the discharge of their claim.

[Section 524\(a\)\(2\) of the Bankruptcy Code](#) provides:

(a) A discharge in a case under this title—

.....

(2) operates as an injunction against the commencement or continuation of an action, the employment of process, or an act, to collect, recover or offset any such debt as a personal liability of the debtor, whether or not discharge of such debt is waived;

[11 U.S.C. § 524\(a\)\(2\)](#). Thus, this section enjoins the Higleys from commencing or continuing any action or other process to hold Walker personally liable on their discharged claim against him. See *Landsing Diversified Properties-II v. First Nat'l Bank & Trust Co. (In re Western Real Estate Fund, Inc.)*, 922 F.2d 592, 598 (10th Cir.1990); *1142 *Owaski v. Jet Florida Sys., Inc. (In re Jet Florida Sys., Inc.)*, 883 F.2d 970, 973 (11th Cir.1989). The intent of this post-discharge injunction is to protect debtors like Walker in their financial "fresh start" following discharge. *In re Jet Florida Sys.*, 883 F.2d at 972; see *Wimmer v. Mann (In re Mann)*, 58 B.R. 953, 958 (Bankr.W.D.Va.1986).

[2] [Section 524](#) further provides, however, that "discharge of a debt of the debtor does not affect the liability of any other entity on, or the property of any other entity for, such debt." [11 U.S.C. § 524\(e\)](#). It is well established that this provision permits a creditor to bring or continue an action directly against the debtor for the purpose of establishing the debtor's liability when,

as here, establishment of that liability is a prerequisite to recovery from another entity. *In re Western Real Estate Recovery Fund*, 922 F.2d 592, 601 n. 7 (“the fact that the debtor may be involved in the ensuing litigation, even named as a defendant where necessary to enable recovery against a codefendant (such as a liability insurer), does not permit invocation of section 524(a) to preclude a creditor's post-bankruptcy pursuit of a discharged claim against a third party”); *In re Jet Florida Sys.*, 883 F.2d at 976 (suit against debtor permitted to establish right to recover from debtor's insurer); *Shade v. Fasse (In re Fasse)*, 40 B.R. 198, 200 (Bankr.D.Colo.1984) (suit against debtor permitted to establish right to recovery from Colorado Real Estate Recovery Fund); see generally 3 R. Babitt, A. Herzog, H. Novikoff & M. Sheinfeld, *Collier on Bankruptcy* ¶ 524.01 at 524–16 (15th ed. 1990). Logically enough, this exception to section 524(a)'s post-discharge injunction hinges “upon the condition that the debtor not be personally liable in a way that would interfere with the debtor's fresh start in economic life.” *In re Jet Florida Sys.*, 883 F.2d at 975; see *In re Mann*, 58 B.R. at 958; *In re McGraw*, 18 B.R. 140, 143 (Bankr.W.D.Wis.1982) (suit against debtor may not result in collection efforts against debtor or his property).

In this case, the Higleys seek to continue their state court action against Walker for the sole purpose of confirming their right to the Fund monies previously paid to them. Both the bankruptcy and district courts denied the Higleys the right to continue this suit on the ground that it would prejudice Walker's financial fresh start in two ways. First, both courts concluded that Walker, if found liable in the suit, would be prejudiced by application of Utah Code Ann. § 61–2a–9 (before 1989 amendment). See *In re Walker*, 103 B.R. at 284; *In re Walker*, 91 B.R. at 974. This statute, as in effect at all times relevant to this appeal,⁴ provided in pertinent part:

⁴ The Utah legislature amended this provision in 1989 in recognition of its conflict with the federal Bankruptcy Code. See *infra* note 7.

The license of any real estate licensee for whom payment from the fund is made under this chapter shall be automatically revoked. The licensee may not apply for a new license until the amount paid out on his account, plus interest at a rate determined by the Division of Real Estate with the concurrence of the commission, has been repaid in full. *A discharge in bankruptcy does*

not relieve a licensee from the penalties and obligations of this section.

Utah Code Ann. § 61–2a–9 (before 1989 amendment) (emphasis added).

As recognized by the bankruptcy court, this provision is but “an undisguised attempt by the state to induce collection of a discharged debt from a licensee,” *In re Walker*, 91 B.R. at 974, and hence contravenes the post-discharge injunction established in section 524 of the Bankruptcy Code. The automatic license revocation requirement also contravenes section 525 of the Code, which provides in relevant part that

a governmental unit may not deny, revoke, suspend, or refuse to renew a license ... against ... a person that is or has been a debtor under this title ... because such bankrupt or debtor ... has not paid a debt that is dischargeable in the case under this title or that was discharged under the Bankruptcy Act.

*1143 11 U.S.C. § 525(a). For these reasons, also as recognized by the bankruptcy court, the automatic revocation provision of Utah Code Ann. § 61–2a–9 violates the Supremacy Clause, United States Const., art. VI, cl. 2, and is thus unconstitutional.⁵ See *In re Walker*, 91 B.R. at 975 n. 11; see also *Granger v. Harris (In re Harris)*, 85 B.R. 858, 862 (Bankr.D.Colo.1988) (holding equivalent automatic license revocation provision of Colorado real estate statute unconstitutional). Having properly found the automatic revocation provision unconstitutional in the bankruptcy context,⁶ the bankruptcy court also should have recognized that it was unenforceable against Walker and hence could not prejudice his fresh start. Accordingly, we find no basis for relying on an unconstitutional application of Utah Code Ann. § 61–2a–9 to bar the Higleys' right to continue their action against Walker as part of an effort to recover from the Fund.⁷

⁵ The district court did not find it necessary to consider whether Utah's automatic license revocation provision was unconstitutional. *In re Walker*, 103 B.R. at 284.

⁶ In 1989, the Utah legislature acknowledged the conflict between Utah Code Ann. § 61–2a–9 (1986) and the Bankruptcy Code and moved to correct it

by deleting the final sentence of the 1986 provision quoted above. 1989 Utah Laws ch. 227, § 3. At the same time, the legislature amended the Fund statute to prevent judgments that had been discharged in bankruptcy from serving as the basis for recovery from the Fund. *Id.* at § 2 (codified at [Utah Code Ann. § 61-2a-5\(5\)](#) (1989)). Both amendments became effective April 24, 1989.

⁷ In so holding, we recognize that Utah apparently did invoke [section 61-2a-9](#) to revoke Walker's real estate license sometime after the Higleys were paid out of the Fund. Our disposition of the matter before us renders this state action invalid under federal constitutional principles.

[3] Both the bankruptcy and district courts also thought that the timing of the Higleys' renewed efforts against the Fund would prejudice Walker in his fresh start. *In re Walker*, 103 B.R. at 285; *In re Walker*, 91 B.R. at 974. This concern apparently arose from the courts' perception that the Higleys were tardy in seeking relief from the [section 524\(a\)](#) injunction more than a year after discharge was granted. *See id.* The record indicates, however, that the Higleys had no need for relief from the post-discharge injunction until Walker persuaded the Utah Supreme Court to void the state court judgment that had served as the basis for their recovery from the Fund. Once this event occurred and the judgment was vacated, the Higleys moved promptly in the bankruptcy court to obtain the relief necessary to resume the state court action. The record on appeal also contains no evidence that Walker was in fact prejudiced in any fashion by the one-year delay in seeking relief from the injunction. Under these circumstances, we find no basis for the lower courts' determination that the Higleys' efforts to renew this action threatened Walker's financial fresh start.

[4] A final factor not expressly considered by the bankruptcy and district courts but of potential relevance to our determination is the extent to which renewal of the state court action will frustrate the Code's fresh start policy by requiring Walker to incur additional legal expenses. The Higleys argue that any such expenses will be negligible either because the state court decided Walker's liability before [section 362](#)'s automatic stay went into effect, leaving only entry of final judgment to be accomplished upon resumption of the action, or because the doctrine of collateral estoppel will bar relitigation of Walker's liability in any new proceeding that may be required. Although these arguments have

some appeal, we need not adopt them in order to hold that the possibility of renewed litigation does not constitute sufficient prejudice to Walker's fresh start to preclude granting the Higleys relief from [section 524](#)'s post-discharge injunction. “ ‘While the cost of defending in a civil action has been given serious consideration by bankruptcy courts, no case has found the cost of defending, by itself, to be “great prejudice” as to bar modification of the [[section 362](#)] stay.’ ” *In re Harris*, 85 B.R. at 860 (quoting *Barlow v. Phillips (In re Phillips)*, 40 B.R. 194, 197 (Bankr.D.Colo.1984)). The same can be said about *1144 requested modifications of [section 524\(a\)](#)'s post-discharge injunction. *See In re Jet Florida Sys.*, 883 F.2d at 976 (rejecting possible legal costs as basis for extending post-discharge injunction to action brought against debtor to recover from debtor's insurer). Under the circumstances of this case, we are not prepared to deny the Higleys the relief they seek on the ground that Walker may thereby incur some legal expense. Accordingly, we find no prejudice in allowing the Higleys to proceed against Walker for the sole purpose of establishing the Higleys' entitlement to recovery from Utah's Real Estate Recovery Fund.⁸ The bankruptcy court's denial of the Higleys' motion for relief from the [section 524](#) injunction is therefore reversed.

⁸ In reaching this conclusion, we express no opinion on whether the Higleys will or should prevail in their action against Walker or whether they have an ultimate right of recovery against the Fund.

II

[5] The Higleys also appeal the bankruptcy court's denial of their motion for an extension of time in which to challenge the dischargeability of their claim against Walker. At first glance, it appears unnecessary for us to address this issue given our holding that the Higleys may proceed in efforts to confirm their eligibility for monies received from the Fund by resuming their suit against Walker. It is not clear from the record, however, whether the Utah Attorney General succeeded in compelling the Higleys to return the Fund monies previously paid to them, thereby necessitating a new or renewed claim against the Fund when and if judgment is entered against Walker. If the Higleys must file a new claim against the Fund, it also is uncertain whether the state will take

the position that this claim is subject to the Fund's new provision, effective April 24, 1989, that

[a] judgment that is the basis for a claim against the fund may not have been discharged in bankruptcy. In the case of a bankruptcy proceeding that is still open or that is commenced during the pendency of the claim, the claimant shall obtain an order from the bankruptcy court declaring the judgment and debt to be nondischargeable.

Utah Code Ann. § 61-2a-5(5).⁹ Given these uncertainties, we will address the Higleys' motion for an extension of time in which to seek such a declaration.

⁹ See *supra* note 7.

Under 11 U.S.C. § 523(c) and Bankruptcy Rule 4007(c), a complaint against discharge of a creditor's claim must be filed within 60 days after the first meeting of creditors. In this case, that bar date was April 12, 1987, rendering the Higleys' July 1988 attempt to assert such a complaint untimely by more than a year. Pursuant to section 523(a)(3), however, a creditor's claim is not discharged if the debtor fails to properly schedule the claim and the creditor does not receive notice of the debtor's bankruptcy and the relevant filing dates. 11 U.S.C. § 523(a)(3);¹⁰ *Sanchez Ramos v. Compton (In re Compton)*, 891 F.2d 1180, 1184 (5th Cir.1990). The essence of the Higleys' argument on appeal is that their claim against Walker fell within this exception to discharge and that this same failure of formal notice requires that they now be allowed to challenge its discharge.

¹⁰ As relevant to this case, section 523(a)(3) provides:

(a) A discharge under section 727 ... of this title does not discharge an individual debtor from any debt—

.....

(3) neither listed nor scheduled under section 521(1) of this title, with the name, if known to the debtor, of the creditor to whom such debt is owed, in time to permit—

.....

(B) if such debt is of a kind specified in paragraph (2), (4), or (6) of this subsection [regarding, among other things, debt for fraud], timely

filing of a proof of claim and timely request for a determination of dischargeability of such debt under one of such paragraphs, *unless such creditor had notice or actual knowledge of the case in time for such timely filing and request.*

11 U.S.C. § 523(a)(3)(B) (emphasis added).

[6] [7] The difficulty with the Higleys' argument is that it ignores *1145 section 523(a)(3)'s caveat that the fraud-based debt of a creditor will be discharged if the creditor has “actual knowledge of the [bankruptcy] case in time for ... timely filing [of a proof of claim] and request [for a determination of the dischargeability of a debt].” 11 U.S.C. § 523(a)(3)(B); *In re Compton*, 891 F.2d at 1184. In this case, it is undisputed that the Higleys, through their counsel, received actual notice of Walker's bankruptcy filing on February 26, 1987, approximately six weeks before the deadline for Walker's creditors to file complaints against discharge. As chapter 7 creditors holding an unsecured claim, the Higleys did “not have the ‘right to assume’ receipt of further notice.”¹¹ *Yukon Self Storage Fund v. Green (In re Green)*, 876 F.2d 854, 857 (10th Cir.1989) (emphasis in original). Thus, the Higleys' actual knowledge of Walker's chapter 7 bankruptcy case, in ample time for them to prepare and timely file the necessary request for determination of dischargeability, bars them from challenging the dischargeability of their claim some fifteen months after the bar date for such complaints. See *id.*; *In re Compton*, 891 F.2d at 1184; *Lompa v. Price (In re Price)*, 871 F.2d 97, 99 (9th Cir.1989).

¹¹ In contrast, a chapter 11 creditor does have “a ‘right to assume’ that he will receive all of the notices required by statute before his claim is forever barred.” *Reliable Elec. Co. v. Olson Constr. Co.*, 726 F.2d 620, 622 (10th Cir.1984).

[8] [9] The Higleys dispute this result on the ground, among others, that the bankruptcy court erred in implicitly finding that they learned of Walker's bankruptcy in time to meet the bar date. The Higleys, however, bear the burden of showing that the bankruptcy court's findings of fact are clearly erroneous. *In re Green*, 876 F.2d at 856. They have failed to include any evidence in the record on appeal indicating that the bankruptcy court's reasonable conclusion that six weeks was, in fact, sufficient time for them to prepare and file their complaint was in error. See *In re Price*, 871 F.2d at 97–99 (late complaint against discharge barred when creditors' counsel had actual knowledge of

debtor's chapter 7 bankruptcy filing two months before bar date). We also reject the Higleys' contention that their response after learning of Walker's bankruptcy filing was sufficient to allow them an extension of time in which to file a discharge complaint. [Section 523\(a\)\(3\)\(B\)](#) “explicitly places a burden on creditors with knowledge of bankruptcy proceedings to act to protect their rights.” *In re Compton*, 891 F.2d at 1187. Here, the Higleys failed to take any number of actions that could have informed them of the April 12, 1987, bar date.¹² Under these circumstances, we cannot agree that the Higleys discharged their duty of inquiry and are now entitled to challenge the discharge of their claim.

¹² As noted by the bankruptcy court, these options included attempts to contact the debtor or trustee directly, additional contact with the creditor that originally had provided the Higleys with actual notice of Walker's bankruptcy, and/or retention of local counsel in Colorado to review Walker's bankruptcy file. *In re Walker*, 91 B.R. at 980.

For the foregoing reasons, we AFFIRM the judgment of the district court with respect to the Higleys' motion for an extension of time in which to determine the dischargeability of their claim against the debtor Walker. We REVERSE the district court, however, in its affirmance of the bankruptcy court's denial of the Higleys' motion for relief from the [section 524\(a\)](#) injunction and order that the Higleys be permitted to commence or continue proceedings against Walker for the sole purpose of establishing a right of recovery against the Utah Real Estate Recovery Fund. This matter is therefore REMANDED to the United States District Court for the District of Utah with direction for remand to the United States Bankruptcy Court for the District of Utah for additional proceedings consistent with this opinion.

All Citations

927 F.2d 1138, 24 Collier Bankr.Cas.2d 1517, Bankr. L. Rep. P 73,857



The twisted roots of U.S. land policy in the West

The seizure of a Malheur National Wildlife Refuge building in southeastern Oregon by armed and self-styled “constitutionalists” was disturbing. To many it is viewed as a dangerous escalation in a long, admittedly heated and passionate but rarely violent, discussion of federal or public land management in the western United States.

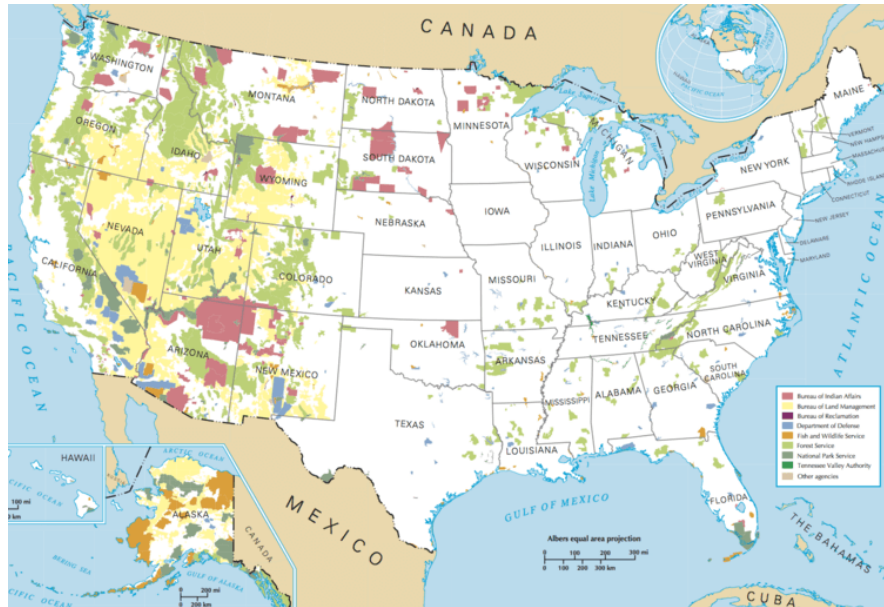
It has also brought to the fore many questions from those not familiar with western land issues, the history of federal land or public land management policies. The event has some asking who the Bureau of Land Management (BLM) is and why they manage so much land.

The history of U.S. federal land policy helps explain why so much of the West is public land – that is, land managed by the federal government and its various bureaus. History also shows why conflicts over land rights are flaring up now and why they’re difficult to resolve.

The utility of land

U.S. land policy predates the country itself, as both the British and the colonists regulated the cutting of forests to preserve a supply of timber for building naval vessels. After the Revolutionary War, the new country quickly sought both to acquire more land (in what is called the [Acquisition phase](#)) and to ensure private sector ownership (the Disposal phase).

Acquisition was accomplished by war or purchase; disposal was done to raise cash and promote new settlement. The [native inhabitants of these lands were removed](#), usually by force.



Federal and Indian land. [U.S. Department of Interior](#)

In the 1860s a new policy focused on federal land in the West developed – Retention – that is best understood through the creation of Yellowstone National Park, the first national park in the U.S. and world. [Other parks](#) would follow, though in an ad hoc and piecemeal fashion.

The National Park Service was created in 1916 to manage and conserve these parks and provide “enjoyment for future generations.”

By the 1880s, there were growing concerns over deforestation. This led Congress to give the President the power to create [forest reserves](#). Later renamed national forests, they were placed under the administration of the US Forest Service (USFS), which was created in 1905.

Congress later took away that power but did create eastern national forests through land purchases [under the Weeks Act](#).

The charismatic [Gifford Pinchot](#), first Chief of USFS, helped make the bureau a professional land management agency. Pinchot and others made it clear that the forests were to be managed for the production of resources to be used by citizens. Thus the Retention policy evolved into an era of federal land management. A [utilitarian philosophy](#) took hold: forests would be managed for the “greatest good for the greatest number” in the long run.

President Theodore Roosevelt used his power to create [early national wildlife refuges](#), including Malheur, which were separate from national forests; other presidents would follow his lead, as would Congress. Early reserves and those established later would be managed by the U.S. Fish and Wildlife Service, created in 1940 after many earlier configurations. These lands were set aside specifically for preservation of land for wildlife and habitat.

Creation of the BLM

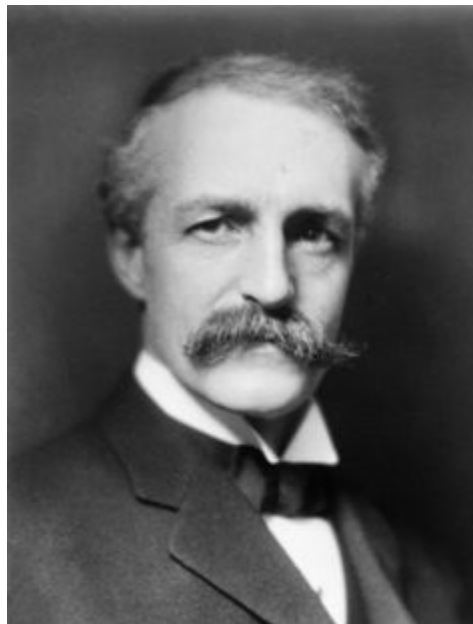
The Bureau of Land Management was created in 1946 out of the merger of the General Land Office and the Grazing Service, which was created to manage grazing. Its origins were in the 1930s, when the Taylor Grazing Act was passed to bring stability to western grazing and to help reduce overgrazing. One key phrase of that [act](#) stated:

That in order to promote the highest use of the public lands pending its final disposal, the Secretary of the Interior is authorized, in his discretion, by order to establish grazing districts.

Before the Taylor Grazing Act was created, federal officials, including Secretary of Interior Ray Lyman Wilbur and President Hoover, offered to transfer the pre-BLM public lands (the public domain lands) to the states to manage, minus the sub-surface mineral estate. The states declined citing the poor condition of the surface estate.

But the word “disposal” led some to conclude that eventually these lands would be transferred to the states to manage or perhaps sold.

BLM was closely watched through the 1960s and supervised in a sense by western congressmen, leading contemporary scholars such as Phillip O. Foss to [refer](#) to this as a “private government,” or that the agency as “captured” by the interests it was supposed to regulate. To put this differently, the agency basically conformed to the desires of the congressmen and their rancher and mining constituencies.



Gifford Pinchot, the first Chief of the Forest Service in 1905. In the 1890s, he wrote, western forests were considered ‘inexhaustible.’ [Library of Congress](#)

The BLM was often referred to as the “Bureau of Livestock and Mining,” as those were the primary uses and users of these lands. Often BLM employees came, and still come, from smaller western towns and ranch backgrounds and were primarily trained at [western land grant universities](#), reinforcing the tradition of placing a priority on using federal lands for their natural resources.

BLM lands are only in the West and BLM manages the most federal land, because this was the land not placed into the national forests and not set aside as national parks and monuments. Some in the West still believed that the BLM lands would be “disposed” of in some manner – that is, transferred from federal to state ownership or perhaps sold.

All of this changed with the passage of the Federal Land Policy and Management Act of 1977 (FLPMA). This act superseded the Taylor Grazing Act and made it national policy that the BLM lands would be retained in federal ownership, thus making this an example of Retention policy.

This retention, and new environmental laws and public interest in the BLM lands for recreation, wildlife, wilderness and so on, helped set off the [Sagebrush Rebellion](#) of the [late 1970s](#). There had been previous protests dating back to [creation of the forest reserves](#), but this rebellion is well remembered. The election of Ronald Reagan helped defuse the movement, as his Secretary James Watt pushed for the restoration of natural resource use and the weakening of environmental regulations.

Conflicting views

The BLM manages much of its land for the use of resources, as does the USFS. But these bureaus are considered multiple-use in that preservation is part of their activities. The National Park Service and US Fish and Wildlife Service have preservation as their sole mission.

Many residents in small rural western towns believe traditional uses and users of BLM lands have been diminished and over-regulated. They would like to see more of a balance between use of natural resources and protection of these lands. As noted above, Native Americans [take issue](#) with the notion that ranchers and others were here “first.”

There has been an off-again on-again movement to transfer much of the federal lands apart from the national parks and so-called [wilderness](#) (a land designation made by Congress) to states to manage.

But the cost of managing lands, including the huge ones caused by wildfire, and uncertainties over how the land could be used, continue to render this [politically unpalatable](#) to many.

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Author



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Disclosure statement

John Freemuth receives funding from USGS and the Bureau of Land Management. He is affiliated with the Cecil Andrus Center for Public Policy at Boise State University



12th Annual
Tri-State Conference, Federal Bar Association
Sun Valley, Idaho – October 14, 2016

***Federal Land
Management:
Conflicts Leading to
the Malheur Refuge
Occupation (and
other Dust-ups)***

**A Precursor – The
Hammond Story**

Presented by W. Alan Schroeder
*Schroeder & Lezamiz Law
Offices, LLP, Boise, Idaho*



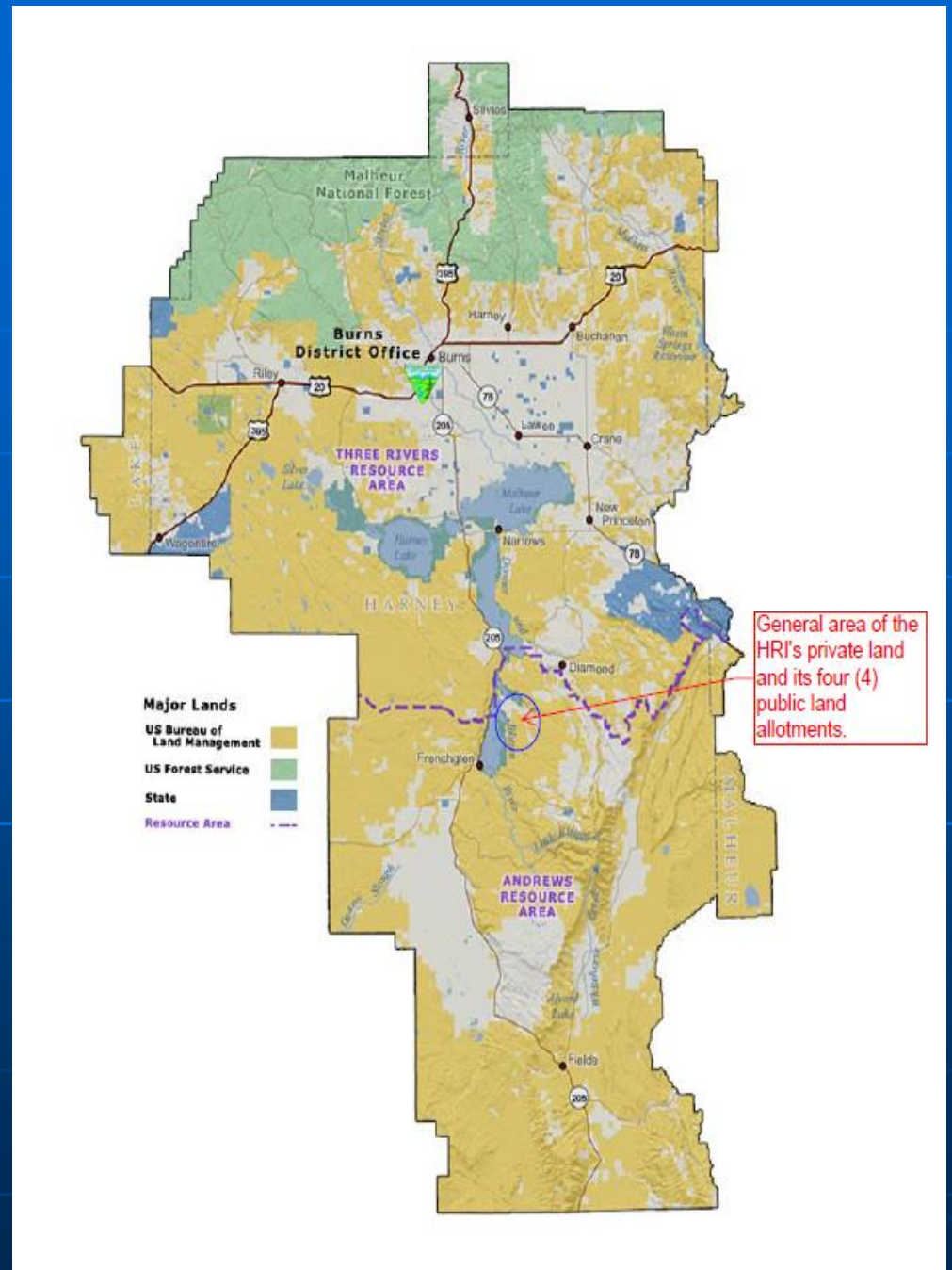
The Family

Hammond Ranches, Inc.
(HRI) is a Oregon
corporation,
incorporated in 1969.

HRI is a family
corporation, currently
made up of Dwight and
Susie Hammond, their
son, Steven, along with
Steve's wife, Earlyna,
and three children.

The Ranch is located
near Frenchglen,
Oregon, about 60 miles
south and east of
Burns, Oregon.





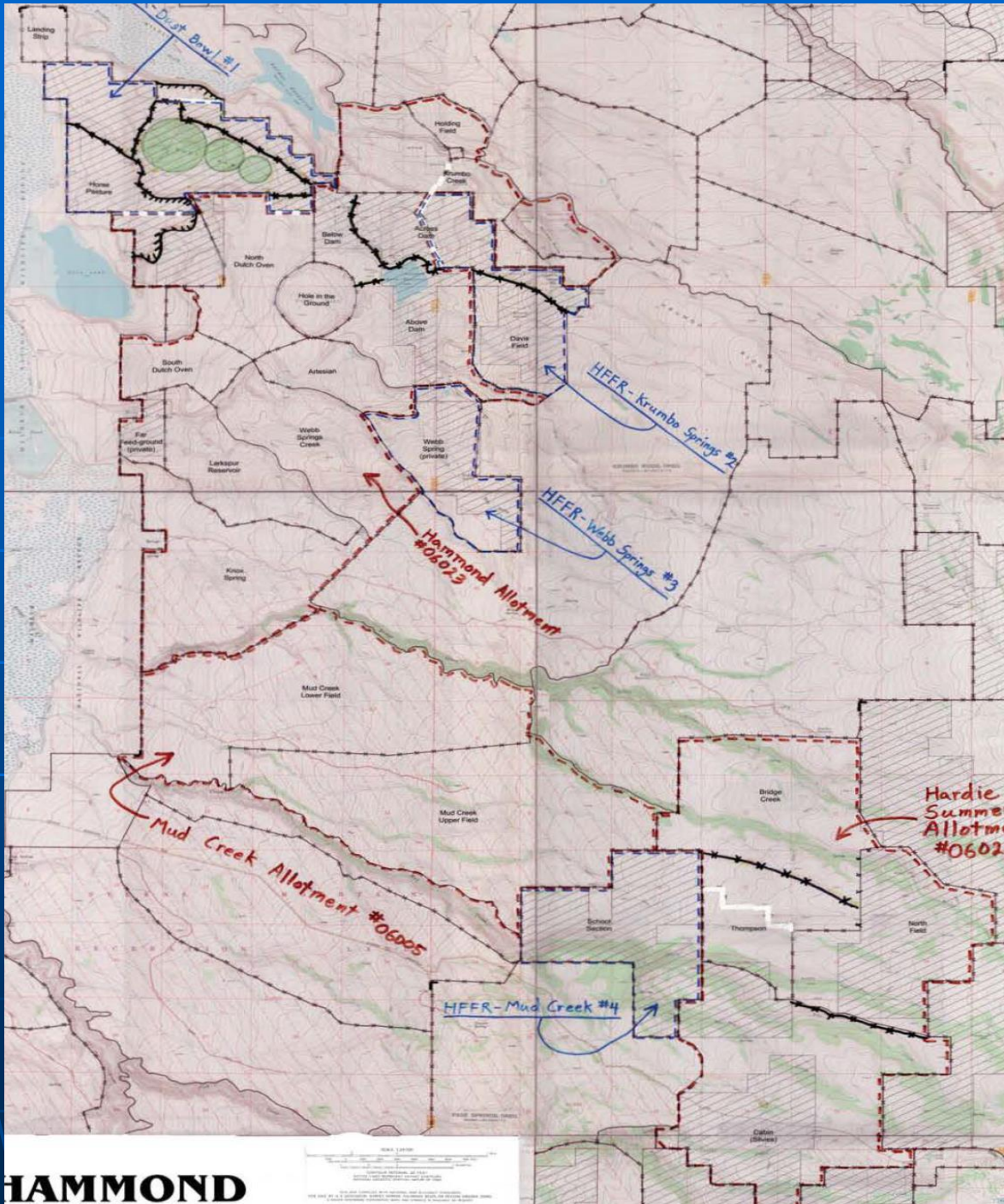
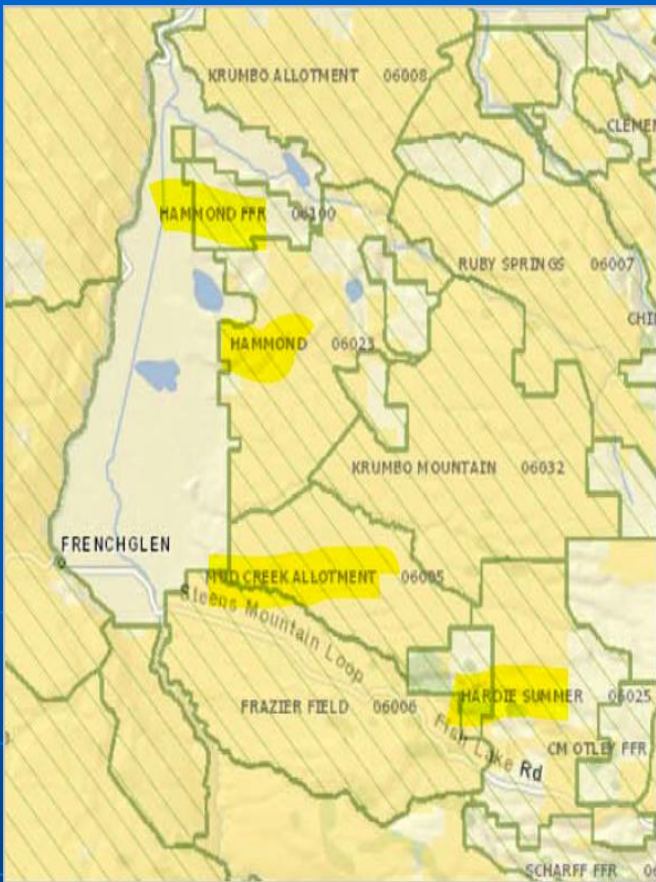
General area of the HRI's private land and its four (4) public land allotments.

The Property

Hammond Ranch evolved over time by:

- different ranch purchases and sales,
- different federal land exchanges, and
- significant livestock grazing allotments coordination with the BLM.

The Ranch is a year-round cow-calf operation that annually sustains up to 600 cow-calf pairs upon a mix of private land pastures and upon four (4) public land allotments; namely, the Hammond FFR, Hammond, Mud Creek, and Hardie Summer Allotments.



HAMMOND

INDEX

Symbol	Description
(Symbol)	Section Boundary
(Symbol)	Water Feature
(Symbol)	Field Boundary
(Symbol)	Allotment Boundary
(Symbol)	Other

Fire – an Ecological Tool

- Prescribed Fire and Wildfire – A tool to control invasive species, including juniper and weeds.
- A commonly applied tool by landowners, ranchers, and BLM upon private land and public lands.
- The spread of fire across ownership boundaries ignored or resolved administratively at least prior to 1999, relative to the Hammonds (and others).

Post 2000 Fire Claims

2001 Hardie-Summer Fire.

2005 Fir Fire

**2006 Lower Bridge Fire, Granddad Fire, and
Krumbo Fire**

**2000 to 2009 – No administrative, civil, or criminal
matters filed as to any one of these fires.**

Trilogy of Cases

#1 – Hammond Criminal Case.

#2 – Hammond Civil Case

#3 – Hammond Administrative Case

#4 – Malheur Refuge occupation

The Criminal Case.

- **June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment (but actually a 25 Count Indictment):**
 - **claiming 12 Counts *against Dwight*** as to Conspiracy, 2001 Hardie-Summer Fire, 2006 Lower Bridge Fire, 2006 Granddad Fire, Aircraft Violations, and Threats to Federal Officers as related to 2006 Fires; and
 - **claiming 13 Counts *against Steven*** as related to Conspiracy, 2001 Hardie-Summer Fire, 2005 Fir Fire, 2006 Lower Bridge Fire, 2006 Granddad Fire, Threats to Federal Officers as related to 2006 Fires, and Tampering with a Witness.

The “Fire” related Counts sought criminal sanctions under the *Antiterrorism and Effective Death Penalty Act of 1996*, which exposed Dwight and Steven to mandatory jail time, as opposed to under the *Taylor Grazing Act*, 43 U.S.C. § 315a (see also 43 C.F.R. § 4170.2-1), the *Federal Land Policy and Management Act*, 43 U.S.C. § 1733(a) (see also 43 C.F.R. § 4170.2-2), or the certain Public Land fire related criminal provisions, 18 U.S.C. §§ 1855, 1856, which would not have exposed Dwight and Steven to mandatory jail time.

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment (but actually a 19 Count Indictment):
 - **claiming 10 Counts *against Dwight*** as to Conspiracy, 2001 Hardie-Summer Fire, 2006 Lower Bridge Fire, 2006 Granddad Fire, and Aircraft Violations; and
 - **claiming 9 Counts *against Steven*** as related to Conspiracy, 2001 Hardie-Summer Fire, 2006 Lower Bridge Fire, 2006 Krumbo Fire, 2006 Granddad Fire, and Tampering with a Witness.

The “Fire” related Counts *again* sought criminal sanctions under the *Antiterrorism and Effective Death Penalty Act of 1996.*

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment.
- June 12-21, 2012 – Jury Trial. Jury Trial occurred in Pendleton, Oregon before Michael R. Hogan, U.S. District Judge, Presiding.

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment.
- June 12-21, 2012 – Jury Trial.
- **June 21, 2012 – Redacted Superseding Indictment.**
An 8 Count Indictment (but actually a 14 Count Indictment went to the Jury for deliberation and decision):
 - **claiming 6 Counts *against Dwight*** as to Conspiracy, 2001 Hardie-Summer Fire, 2006 Lower Bridge Fire, and 2006 Granddad Fire; and
 - **claiming 8 Counts *against Steven*** as related to Conspiracy, 2001 Hardie-Summer Fire, 2006 Lower Bridge Fire, 2006 Krumbo Fire, and 2006 Granddad Fire.

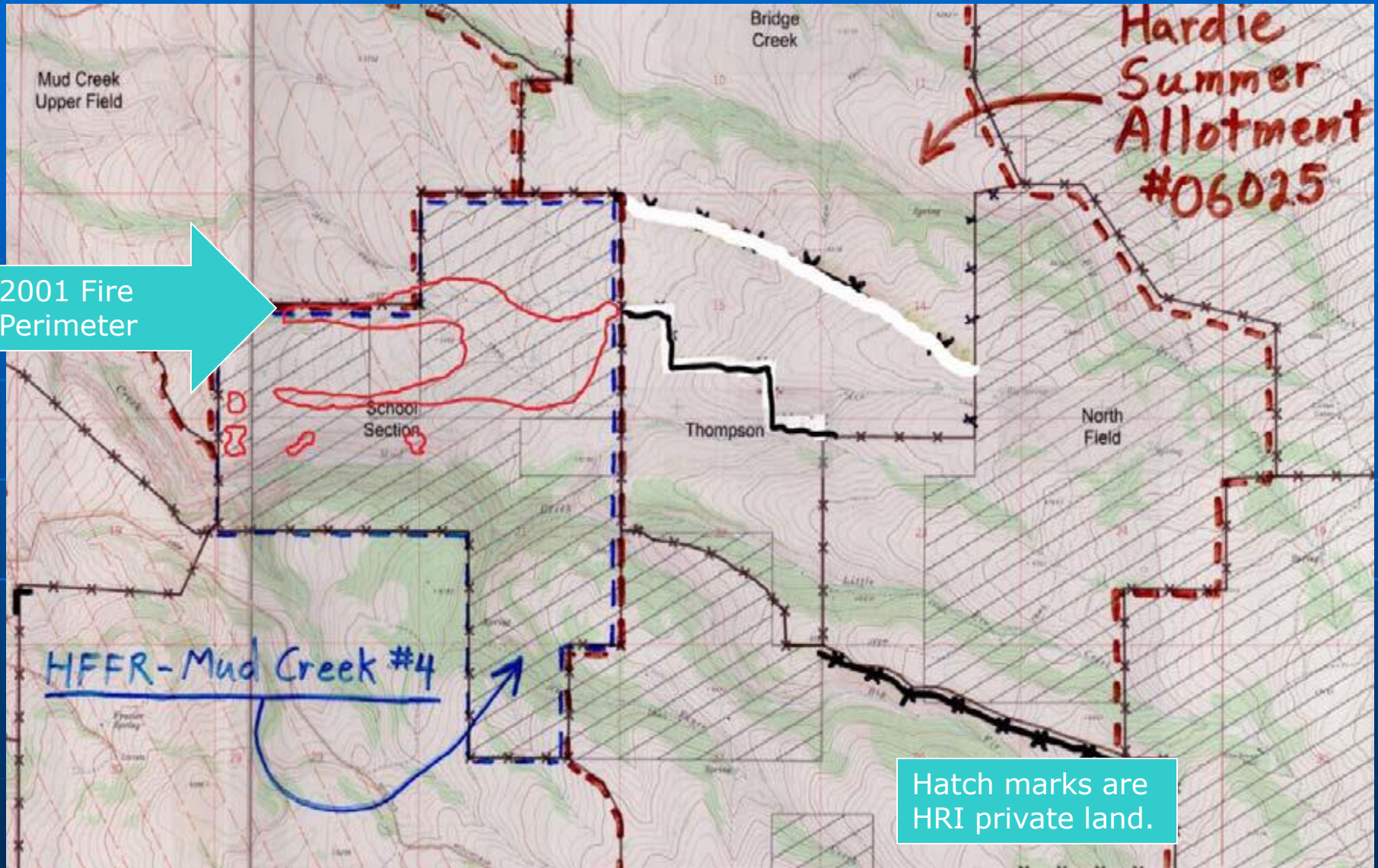
The “Fire” related Counts *again* sought criminal sanctions under the *Antiterrorism and Effective Death Penalty Act of 1996.*

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment.
- June 12-21, 2012 – Jury Trial.
- June 21, 2012 – Redacted Superseding Indictment. An 8 Count Indictment.
- June 21, 2012 – Jury Verdict (as to 2001 Fire):
 - **finding *Dwight and Steven* each guilty of 1 Count** as related to the *2001 Hardie-Summer Fire*;
 - **finding the damage to the public lands was less than \$1,000.**

The 2001 Fire was ignited on private land. The 2001 Fire “consumed 139 acres of public land” according to the 9th Circuit. See *742 F.3d at 881*.

The “Fire” related convictions were under the *Antiterrorism and Effective Death Penalty Act of 1996*, 18 U.S.C. § 844(f)(1).



2001 Fire Perimeter

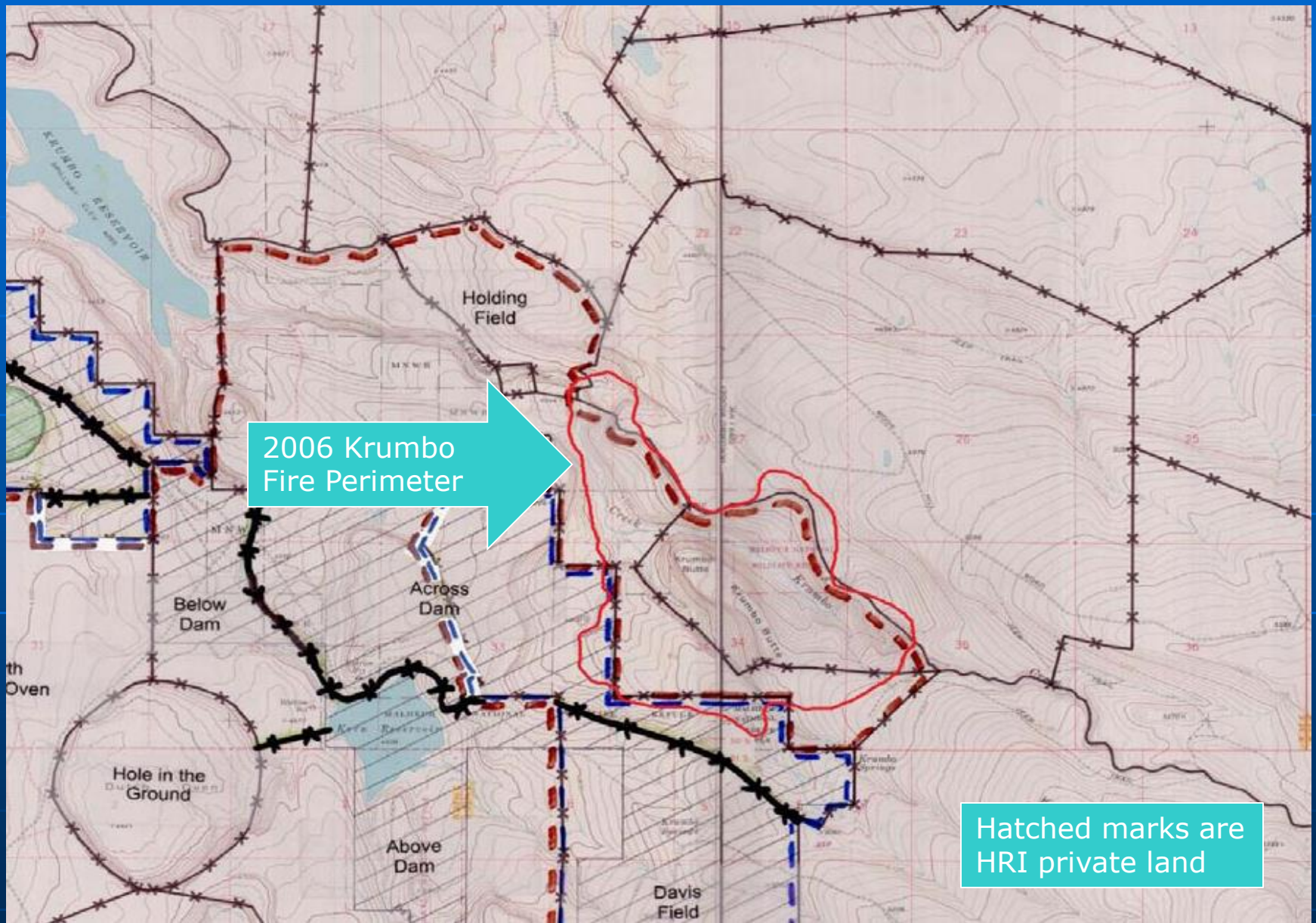
Hatch marks are HRI private land.

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment.
- June 12-21, 2012 – Jury Trial.
- June 21, 2012 – Redacted Superseding Indictment. An 8 Count Indictment.
- **June 21, 2012 – Jury Verdict (as to 2006 Krumbo Fire):**
 - **finding Steven guilty of 1 Count**, as related to the *2006 Krumbo Fire*; and,
 - **finding the damage to the public lands was less than \$1,000.**

The 2006 Fire was ignited on private land. The 2006 Fire “burned about an acre of public land” according to the 9th Circuit. *See 742 F.3d at 881.*

The “Fire” related convictions were under the *Antiterrorism and Effective Death Penalty Act of 1996*, 18 U.S.C. § 844(f)(1).



2006 Krumbo
Fire Perimeter

Hatched marks are
HRI private land

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment.
- June 12-21, 2012 – Jury Trial.
- June 21, 2012 – Redacted Superseding Indictment. An 8 Count Indictment.
- June 21, 2012 – Jury Verdict. 1 Count against Dwight and 2 Counts against Steven.
- **October 30, 2012 - Sentencing by Judge Hogan:**
 - **refusing to impose the 5-year mandatory minimums** under *Antiterrorism and Effective Death Penalty Act of 1996*;
 - **imposing 90-days of jail time against *Dwight*; and**
 - **imposing 1-year and 1-day of jail time against *Steven*.**

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment.
- June 12-21, 2012 – Jury Trial.
- June 21, 2012 – Redacted Superseding Indictment. An 8 Count Indictment.
- June 21, 2012 – Jury Verdict. 1 Count against Dwight and 2 Counts against Steven.
- October 30, 2012 - Sentencing by Judge Hogan:
- ***Dwight and Steven thereafter reported to jail and served their time without incident imposed by Judge Hogan.***

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment.
- June 12-21, 2012 – Jury Trial.
- June 21, 2012 – Redacted Superseding Indictment. An 8 Count Indictment.
- June 21, 2012 – Jury Verdict. 1 Count against Dwight and 2 Counts against Steven; all implicating damage of less than \$1,000.
- October 30, 2012 - Sentencing by Judge Hogan.
- **November 6, 2012 - Appeal by United States to the Ninth Circuit Court of Appeals of the Sentencing due to Judge Hogan's decision not to impose the 5-year mandatory minimums under the Antiterrorism and Effective Death Penalty Act of 1996, 18 U.S.C. § 844(f)(1).**

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
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- October 30, 2012 - Sentencing by Judge Hogan.
- November 6, 2012 - Appeal by United States to the Ninth Circuit Court.
- **February 7, 2014 - Ninth Circuit Decision, reversing Judge Hogan's Sentence, and remanding to District Court for re-sentencing. See United States v. Hammond, 742 F.3d 880 (9th Cir. 2014). The 9th Circuit's Opinion is attached hereto.**

The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
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- November 6, 2012 - Appeal by United States to the Ninth Circuit Court.
- February 7, 2014 - Ninth Circuit Decision, reversing Judge Hogan's Sentence.
- **March 23, 2015 - U.S. Supreme Court Decision, denying Writ of Certiorari by Dwight and Steven Hammond. This Writ sought to reverse the 9th Circuit's Decision dated February 7, 2014, though the Writ was denied. See Steven Dwight Hammond and Dwight Lincoln Hammond v. United States, U.S. Supreme Court No. 13-1512.**

The Criminal Case.

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- October 30, 2012 - Sentencing by Judge Hogan.
- November 6, 2012 - Appeal by United States to the Ninth Circuit Court.
- February 7, 2014 - Ninth Circuit Decision, reversing Judge Hogan's Sentence, and remanding to District Court for re-sentencing.
- March 23, 2015 - U.S. Supreme Court, denying Writ of Certiorari.
- **October 7, 2015 - Re-sentencing by Judge Ann L. Aiken (due to Judge Hogan previously retiring on October 30, 2012), imposing 5-year mandatory minimum upon Dwight and Steven.**

Bundy - Malheur Refuge.

- Protests begin/continue. See Photo of one in Las Vegas.
- Ammon Bundy arrives in the Burns, Oregon area in November/December 2015.
- Ammon Bundy speaks of overreaching by the Federal Government upon Dwight Hammond and Steven Hammond.

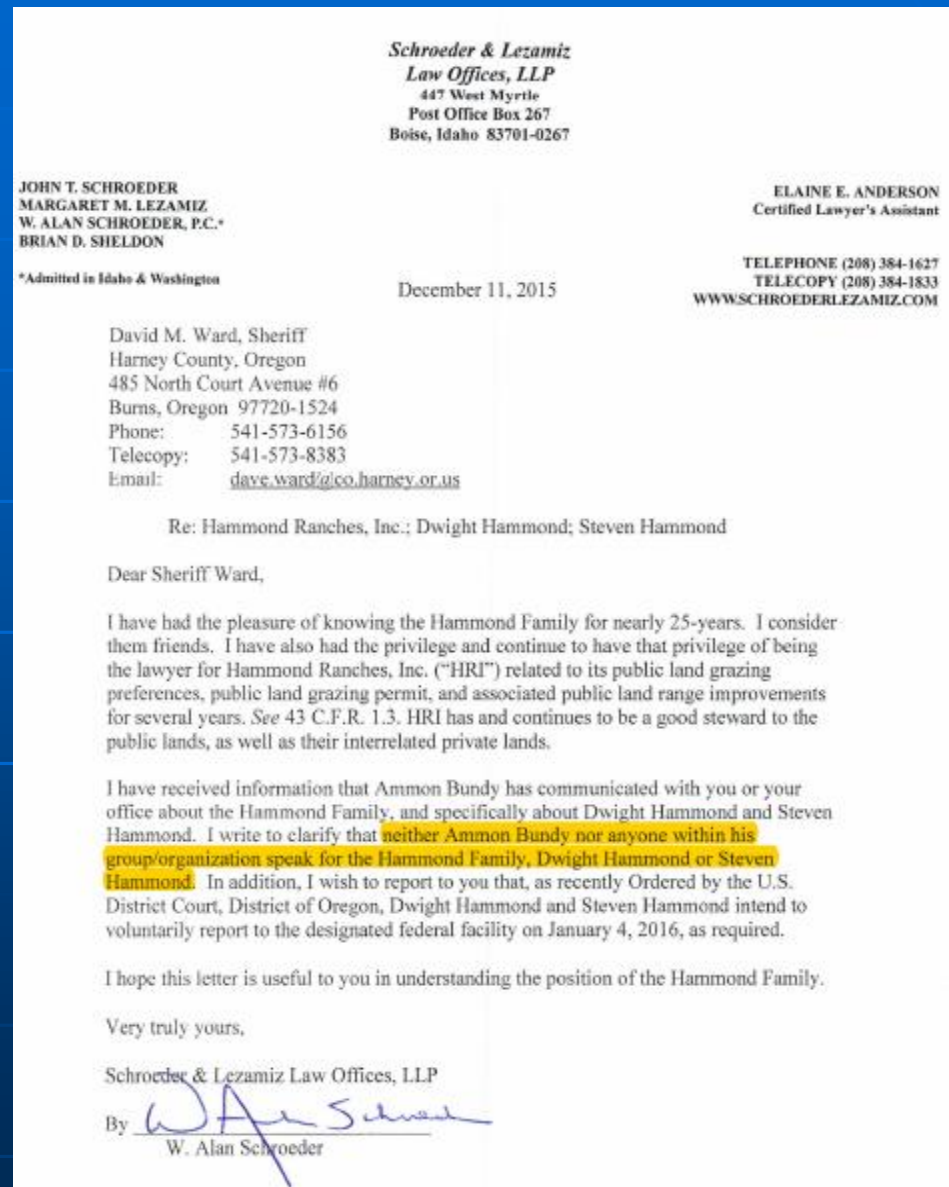
Photo of a protest
in Las Vegas in
early 12/2015



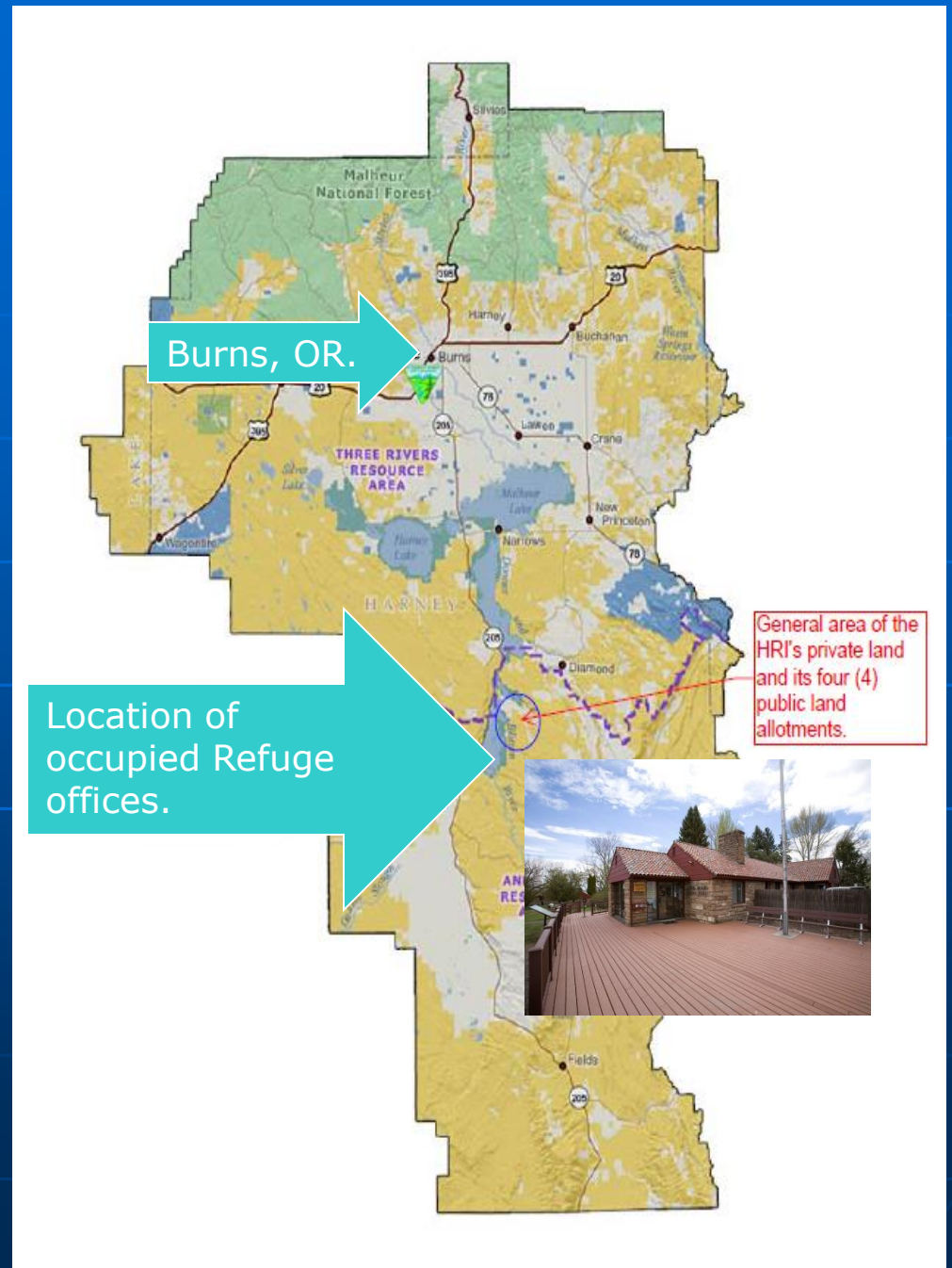
Bundy – Malheur Refuge.

The Hammond Family speak out, stating that Ammon Bundy does not “speak for the Hammond Family, Dwight Hammond or Steven Hammond.”

Letter dated 12/11/2015.



Bundy and others begin occupation of Malheur Refuge Offices on 1/2/2016, near Frenchglen.



The Criminal Case.

- June 17, 2010 – Grand Jury Criminal Indictment. A 19 Count Indictment.
- May 17, 2012 – Grand Jury Superseding Indictment. A 13 Count Indictment.
- June 12-21, 2012 – Jury Trial.
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- November 6, 2012 - Appeal by United States to the Ninth Circuit Court.
- February 7, 2014 - Ninth Circuit Decision, reversing Judge Hogan's Sentence.
- March 23, 2015 - U.S. Supreme Court, denying Writ of Certiorari.
- October 7, 2015 - Re-sentencing by Judge Ann L. Aiken.
- **January 4, 2016 – Dwight and Steven report to Terminal Island Federal Facility in San Pedro, California to serve 5-year mandatory minimum sentence, though with credit for time previously served.**

Epilogue – Ongoing

- Malheur Refuge occupation of offices continued until February 11, 2016, though during the occupation, on January 26, 2016, one of the occupiers, Robert “LaVoy” Finicum, was fatally shot in an incident north of Burns, Oregon. Several of the occupiers are pending trial on criminal charges and several other have pled guilty to certain criminal charges.
- Dwight Hammond and Steven Hammond currently remain at the Terminal Island Federal Facility in San Pedro, California. Steven’s projected release date is June 29, 2019, and Dwight’s projected release date is February 13, 2020, absent a change in circumstances.

Thank you.

COMMENTS/QUESTIONS

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208-384-1627
Email - alan@schroederlezamiz.com

Attachment - USA v. Hammond, 742 F.3d. 880 (9th Cir. 2014)

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742 F.3d 880 (9th Cir. 2014)

UNITED STATES OF AMERICA, Plaintiff-Appellant,

v.

STEVEN DWIGHT HAMMOND, Defendant-Appellee.

UNITED STATES OF AMERICA, Plaintiff-Appellant,

v.

DWIGHT LINCOLN HAMMOND, JR.,
Defendant-Appellee

Nos. 12-30337, 12-30339

United States Court of Appeals, Ninth Circuit

February 7, 2014

Submitted December 3, 2013, [*] Seattle, Washington

Appeal from the United States District Court for the District of Oregon. D.C. No. 6:10-cr-60066-HO-1. D.C. No. 6:10-cr-60066-HO-2. Michael R. Hogan, District Judge, Presiding.

Kelly A. Zusman, Assistant United States Attorney; S. Amanda Marshall, United States Attorney, District of Oregon, Portland, Oregon, for Plaintiff-Appellant.

Lawrence H. Matasar, Lawrence Matasar, P.C., Portland, Oregon, for Defendant-Appellee Steven Dwight Hammond.

Marc D. Blackman and Kendra M. Matthews, Ransom & Blackman, LLP, for Defendant-Appellee Dwight Lincoln Hammond, Jr.

Before: Richard C. Tallman and Carlos T. Bea, Circuit Judges, and Stephen J. Murphy, III, District Judge[**].

OPINION

Page 881

MURPHY, District Judge.

The government appeals the sentences of Steven and Dwight Hammond, whom a jury convicted of maliciously damaging the real property of the United States by fire, in violation of 18 U.S.C. § 844(f)(1). The convictions carried

minimum sentences of five years of imprisonment, but citing Eighth Amendment concerns, the district court sentenced Steven to only twelve months and one day of imprisonment and Dwight to only three months of imprisonment. Because the sentences were illegal and the government did not waive its right to appeal them, we vacate the sentences and remand for resentencing.

I. Background

The Hammonds have long ranched private and public land in Eastern Oregon. Although they lease public land for grazing, the Hammonds are not permitted to burn it without prior authorization from the Bureau of Land Management. Government employees reminded Steven of this restriction in 1999 after he started a fire that escaped onto public land.

But in September 2001, the Hammonds again set a fire on their property that spread to nearby public land. Although the Hammonds claimed that the fire was designed to burn off invasive species on their property, a teenage relative of theirs testified that Steven had instructed him to drop lit matches on the ground so as to "light up the whole country on fire." And the teenager did just that. The resulting flames, which were eight to ten feet high, spread quickly and forced the teenager to shelter in a creek. The fire ultimately consumed 139 acres of public land and took the acreage out of production for two growing seasons.

In August 2006, a lightning storm kindled several fires near where the Hammonds grew their winter feed. Steven responded by attempting back burns near the boundary of his land. Although a burn ban was in effect, Steven did not seek a waiver. His fires burned about an acre of public land.

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The government ultimately prosecuted the Hammonds on charges related to these and other fires. After trial, the jury deliberated several hours and returned a partial verdict. The jury convicted Steven of two counts and Dwight of one count of maliciously damaging the real property of the United States by fire, in violation of 18 U.S.C. § 844(f)(1), based on their respective roles in the September 2001 and August 2006 fires. The jury also acquitted the Hammonds of some charges and failed to reach a verdict on others, including conspiracy charges brought against Steven and Dwight. The judge then instructed the jury to continue deliberating.

While the jury deliberated on the remaining charges, the parties reached an oral agreement and presented it to the court.[1] The government told the court that the Hammonds had agreed to "waive their appeal rights" -- except with

respect to ineffective assistance of counsel claims -- "and accept the verdicts as they've been returned thus far by the jury." In return, the government promised to "recommend" that Steven's sentences run concurrently and agreed that the Hammonds "should remain released pending the court's sentencing decision."

The Hammonds agreed with the government's summary of the plea agreement. Their attorneys also added that the Hammonds wanted the "case to be over" and hoped to "bring th[e] matter to a close." According to the defense, the "idea" of the plea agreement was that the case would "be done with at the sentencing" and that the "parties would accept... the sentence that's imposed." The district court then accepted the plea agreement and dismissed the remaining charges.

At sentencing, the court found that the guidelines range for Steven was 8 to 14 months and for Dwight was 0 to 6 months. Yet their convictions carried five-year minimum terms of imprisonment. See 18 U.S.C. § 844(f)(1). The government accordingly recommended five-year sentences of imprisonment and argued -- both in its sentencing memorandum and at sentencing -- that the court lacked discretion to impose lesser sentences.

The court, however, concluded that the Eighth Amendment required deviation from the statutory minimum. Observing that Congress probably had not intended for the sentence to cover fires in "the wilderness," the court reasoned that five-year sentences would be grossly disproportionate to the severity of the Hammonds' offenses. The court then sentenced Steven to two concurrent terms of twelve months and one day of imprisonment and Dwight to three months of imprisonment.

II. Standard of Review

We review both a waiver of appeal and the legality of a sentence de novo. See *United States v. Bibler*, 495 F.3d 621, 623 (9th Cir. 2007) (waiver of appeal); *United States v. Dunn*, 946 F.2d 615, 619 (9th Cir. 1991) (legality of a sentence).

III. Discussion

A. Waiver

A threshold issue is whether the government waived its right to appeal the Hammonds' sentences in the plea agreement or otherwise failed to preserve its

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objection. We find no grounds for dismissing the appeal.

The Hammonds first argue that the government waived its

right to appeal in the plea agreement. Because a plea agreement is partly contractual in nature, we interpret it from the perspective of a reasonable defendant. See *United States v. De la Fuente*, 8 F.3d 1333, 1337-38 (9th Cir. 1993). But there is no ambiguity here to interpret. A reasonable defendant would expect that the absence of any statements on the government's right to appeal simply means that no waiver was contemplated. See *United States v. Anderson*, 921 F.2d 335, 337-38 (1st Cir. 1990).

The Hammonds respond by arguing that the statements of defense counsel show that an all-around waiver of appellate rights was the *sine qua non* of the plea agreement. The record, however, belies that assertion. The statements made by defense counsel just before the judge accepted the plea agreement underscore that all parties sought to resolve the case swiftly, but finality was not the only benefit supporting the plea agreement. Other benefits included favorable recommendations from the government and the dismissal of charges. We thus cannot reasonably read defense counsels' references to finality as meaning that no party could take an appeal.

Assuming then that the plea agreement is silent on the government's right of appeal, the Hammonds urge us to imply a waiver into the plea agreement. We have never before done so. But relying on *United States v. Guevarra*, 941 F.2d 1299 (4th Cir. 1991), the Hammonds argue that construing the government's silence as an implied waiver will promote fairness and finality. We reject that position.

The principles governing the formation and interpretation of plea agreements leave no room for implied waivers. Federal Rule of Criminal Procedure 11, not the common law of contracts, governs the making of plea agreements. See *United States v. Escamilla*, 975 F.2d 568, 571 n.3 (9th Cir. 1992); *United States v. Partida-Parra*, 859 F.2d 629, 634 (9th Cir. 1988). Although Rule 11 gives courts discretion to accept or reject a plea agreement, it does not authorize courts to remake a plea agreement or imply terms into one. See *United States v. Benchinol*, 471 U.S. 453, 455, 105 S.Ct. 2103, 85 L.Ed.2d 462 (1985) (per curiam) ("Rule 11[... speaks in terms of what the parties in fact agree to, and does not suggest that such implied-in-law terms as were read into this agreement by the Court of Appeals have any place under the rule."); *United States v. Stevens*, 548 F.2d 1360, 1362 (9th Cir. 1977) (observing that Congress rejected a version of Rule 11 that would have allowed a court to modify a plea agreement in favor of the defendant). We accordingly "enforce the literal terms" of a plea agreement, construing only ambiguous language in the defendant's favor. *United States v. Franco-Lopez*, 312 F.3d 984, 989 (9th Cir. 2002); see also *United States v. Johnson*, 187 F.3d 1129, 1134-35 (9th Cir. 1999). These principles preclude us from implying a waiver where none exists.

Attachment - USA v. Hammond, 742 F.3d. 880 (9th Cir. 2014)

Moreover, nothing in the nature of plea agreements requires that each promise must be "matched against a mutual and 'similar' promise by the other side." *United States v. Hare*, 269 F.3d 859, 861 (7th Cir. 2001). To be sure, the idea behind a plea agreement is that each side waives certain rights to obtain some benefit. *See Partida-Parra*, 859 F.2d at 633. But there are ample reasons that a defendant might enter a plea agreement short of extinguishing the government's right to appeal, including the possibility of a lower sentence and the dismissal of other charges. *Hare*, 269 F.3d at 861; *cf. Brady*

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v. United States, 397 U.S. 742, 752, 90 S.Ct. 1463, 25 L.Ed.2d 747 (1970) (listing possible reasons for entering a plea). For example, the Hammonds negotiated for favorable recommendations from the government and the dismissal of charges. Such benefits are consideration enough to support a plea agreement. *See Hare*, 269 F.3d at 861-62.

Finally, contrary to the Hammonds' assertion, the record leaves no doubt that the government preserved the objection to the sentences that it raises on appeal. Nowhere did the government make a "straightforward" concession. *United States v. Bentson*, 947 F.2d 1353, 1356 (9th Cir. 1991). Nor did the government fail to give the district court an opportunity to address the argument it raises on appeal. *See United States v. Grissom*, 525 F.3d 691, 694-95 (9th Cir. 2008). In its sentencing memorandum and at sentencing, the government argued that the trial judge lacked discretion to deviate from the statutory minimum. The government thus preserved its objection, and we may hear its appeal.

B. Sentences

Turning now to the merits, we hold that the district court illegally sentenced the Hammonds to terms of imprisonment less than the statutory minimum. A minimum sentence mandated by statute is not a suggestion that courts have discretion to disregard. *See United States v. Wipf*, 620 F.3d 1168, 1169-70 (9th Cir. 2010). The court below was bound to sentence the Hammonds to five-year terms of imprisonment. *See* 18 U.S.C. 844(f)(1). Although the district court attempted to justify lesser sentences on Eighth Amendment grounds, sentencing the Hammonds to five years of imprisonment would not have been unconstitutional.

Rather than categorically challenge five-year sentences for arson, the Hammonds argue that the sentences would be constitutionally disproportionate " under the unique facts and circumstances of this case." We assess this type of Eighth Amendment challenge by " compar[ing] the gravity of the offense to the severity of the sentence." *United States v. Williams*, 636 F.3d 1229, 1232 (9th Cir. 2011) (citing

Graham v. Florida, 560 U.S. 48, 60, 130 S.Ct. 2011, 176 L.Ed.2d 825 (2010)). Only in the " rare case in which this threshold comparison leads to an inference of gross disproportionality," do we then " compare the defendant's sentence with the sentences received by other offenders in the same jurisdiction and with the sentences imposed for the same crime in other jurisdictions." *Graham*, 560 U.S. at 60 (internal citations and quotation marks omitted).

Here, we need not progress beyond the first step. Congress has " broad authority" to determine the appropriate sentence for a crime and may justifiably consider arson, regardless of where it occurs, to be a serious crime. *Solem v. Helm*, 463 U.S. 277, 290, 103 S.Ct. 3001, 77 L.Ed.2d 637 (1983). Even a fire in a remote area has the potential to spread to more populated areas, threaten local property and residents, or endanger the firefighters called to battle the blaze. The September 2001 fire here, which nearly burned a teenager and damaged grazing land, illustrates this very point.

Given the seriousness of arson, a five-year sentence is not grossly disproportionate to the offense. The Supreme Court has upheld far tougher sentences for less serious or, at the very least, comparable offenses. *See Lockyer v. Andrade*, 538 U.S. 63, 123 S.Ct. 1166, 155 L.Ed.2d 144 (2003) (upholding a sentence of fifty years to life under California's three-strikes law

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for stealing nine videotapes); *Ewing v. California*, 538 U.S. 11, 123 S.Ct. 1179, 155 L.Ed.2d 108 (2003) (upholding a sentence of twenty-five years to life under California's three-strikes law for the theft of three golf clubs); *Hutto v. Davis*, 454 U.S. 370, 102 S.Ct. 703, 70 L.Ed.2d 556 (1982) (per curiam) (upholding a forty-year sentence for possession of nine ounces of marijuana with the intent to distribute); *Rummel v. Estelle*, 445 U.S. 263, 100 S.Ct. 1133, 63 L.Ed.2d 382 (1980) (upholding a life sentence under Texas's recidivist statute for obtaining \$120.75 by false pretenses). And we and other courts have done the same. *See, e.g., United States v. Tolliver*, 730 F.3d 1216, 1230-32 (10th Cir. 2013) (upholding a 430-month sentence for using arson in the commission of a felony); *United States v. Major*, 676 F.3d 803, 812 (9th Cir. 2012) (upholding a 750-year sentence for offenses under 18 U.S.C. § 924(c)), *cert. denied*, 133 S.Ct. 280, 184 L.Ed.2d 164; *United States v. Meiners*, 485 F.3d 1211, 1212-13 (9th Cir. 2007) (per curiam) (upholding a fifteen-year sentence for advertising child pornography); *United States v. Uphoff*, 232 F.3d 624, 625-26 (8th Cir. 2000) (upholding a five-year sentence for arson of a building).

Because the district court erred by sentencing the Hammonds to terms of imprisonment less than the statutory minimum, we vacate the sentences and remand for

resentencing in compliance with the law.

VACATED AND REMANDED.

Notes:

[*]The panel unanimously concludes this case is suitable for decision without oral argument. See Fed. R. App. P. 34(a)(2).

[**]The Honorable Stephen J. Murphy, III, United States District Judge for the Eastern District of Michigan, sitting by designation.

[1]Although the Hammonds did not enter guilty pleas, the Hammonds agreed not to contest the jury verdicts in exchange for the government moving to dismiss other charges. The resulting posture is the same as that following a plea agreement. We thus will refer to the oral agreement here as a plea agreement and apply to it the law governing plea agreements.

JANUARY 2016 OCCUPATION:
MALHEUR NATIONAL WILDLIFE
REFUGE
INDICTMENT – MARCH 2016

Ranchers & Environmentalists Work Together as Refuge Takeover Drags On

1/20/2016 12:29:00 PM, Karina Brown (/CNSNEWS/Search?Author=Karina%20Brown&doSearch=1)



PORTLAND, Ore. (CN) - A classic Portland drizzle fell on about 200 protesters who shouted "Bundys go home!" at a rally Tuesday afternoon held by the Audubon Society against the occupation of the Malheur Wildlife Refuge.

The Audubon has long collaborated with refuge managers to maximize habitat at what it calls "one of the most important places on the continent for migratory birds."

Every spring, more than five million ducks, a million geese and 100,000 swans stop to rest and feed in the massive complex of lakes and wetlands in the refuge before they head south over the arid Great Basin.

"From an ecological perspective, I think the Malheur is one of the most important projects in the western United States," Bob Sallinger, conservation director for the Audubon Society of Portland, said in an interview after the rally. "It's a massive, massive restoration project."

Ammon Bundy and about two dozen supporters seized the refuge headquarters 17 days ago, demanding that the federal land be turned over to area ranchers and the county to control.

"It is our goal to get the logger back to logging, the miner back to mining and the rancher back to ranching," Bundy said in the early days of the occupation.

Bundy claims grazing cattle are good for the birds. He also says the federal government has no right to the land and is unilaterally making land use decisions that are detrimental to local ranchers.

"The best management is when people are using it," he told Courthouse News.

Harney County residents have repeatedly questioned Bundy's claim that the goal of his occupation is to restore justice to local land-use issues.

"It's clear at this point that the Bundy group does not have the interests of Harney County in mind - they're in it for their own agenda," Harney County Sheriff Dave Ward said in a statement on Tuesday.

Sallinger said it was odd that Bundy chose the Malheur as the setting for his showdown.

"From a collaborative perspective, it's one of the most important projects in the United States," Sallinger said. "They picked an ironic place to make their stand, because really Malheur should be known as the place of consensus. And there's lots of conflict out there, don't get me wrong. There's plenty to worry about and argue about. But Malheur is one of the bright spots."

He added, "It would be ironic if this occupation, this very intentionally divisive action, resulted in further collaboration."

Sallinger said that spirit of partnership has continued during the occupation. He said ranchers, environmentalists and Harney County commissioners have been actively working during the last two weeks to get new grants for projects on the refuge from the Oregon Watershed Enhancement Board.

Disparate groups with supposedly opposing ideologies have been working together at Malheur for years. In 2010, the U.S. Fish and Wildlife Service worked with ranchers, environmentalists, and state and tribal

government officials to adopt a 15-year plan to remove invasive carp from Malheur Lake. Carp have reduced the number of waterfowl born at the lake from 180,000 to 10,000 birds per year.

The non-native fish yank plants out of the bottom of the lakes in search of invertebrates, killing the plants the birds need for food and cover and rendering huge expanses of water useless as bird habitat.

Scientists and ranchers are also working together to preserve traditional flood irrigation on the surrounding ranches - a method that creates bird habitat both on and off the refuge.

"That work has continued unabated," Sallinger said. "And I think in some weird way - it's not how you'd like it to happen - but I think what this may ultimately do is catalyze some really positive stuff that's the antithesis of what the occupiers hope to see happen."

He added, "And that really would be the best way to repudiate them. To let them watch people collaborating together from their jail cells."



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Bundy Militia's Takeover Dreams Dashed by Bond Between Ranchers and Feds

4/6/2016 10:15:00 AM, Karina Brown (/CNSNEWS/Search?Author=Karina%20Brown&doSearch=1)



PRINCETON, Ore. (CN) - When Ammon Bundy took over the federal headquarters of the Malheur National Wildlife Refuge on Jan. 2, he hoped his presence would ignite an explosion of extremist activism in support of the conservative movement to seize control of federal lands across the American West. But his plans were thwarted by the unique bonds local ranchers, environmentalists and government employees forged over years of collaborative land management.

Harney County Judge Steve Grasty, who runs the local government alongside two county commissioners, said the community's close relationships immunized residents against the political agenda peddled by Ammon Bundy and his minions.

"We have it - a way forward," Grasty said. "That's why Bundy picked the wrong county. In 1999, it might not have been the wrong county. Things might have turned out worse. But this was the wrong time and the wrong county. Because we're moving things ahead."

The threat of similar standoffs over federally owned land is spreading across the American West. But officials at the highest levels of government say this remote rural community should serve as a model for the rest of the nation to emulate.

With Ammon Bundy and dozens of others in jail over the occupation of Malheur and the 2014 standoff at his father Cliven Bundy's Nevada ranch, the movement to take public land out of federal hands could fizzle.

But it could also intensify, according to Kieran Suckling, executive director of the Center for Biological Diversity.

"It may be that the FBI will break the back of the militia movement," Suckling said. "But it's too early to know. With the Bundys in jail, will new leaders rise up? The threat of another armed standoff is very real. And there is absolutely a very real threat of federal employees being harmed or possibly killed. But that's not just a threat. It's something that's really happening."

Since 1997, there have been between 15 and 42 violent attacks every year against employees of the Bureau of Land Management, according to a report by Public Employees for Environmental Responsibility.

The FBI may have chopped off the head of the snake, but public lands watchdog group The Center for Western Priorities says that may not end the militia movement's push to "steal our public land."

"It's fair to say we're at a crucial juncture right now," Aaron Weiss, the group's spokesman, said. "The concern is extremist groups are still looking for a "constitutional sheriff" to give them cover. They believe that Bundy failed not because his message was flawed or because the community didn't support him but because [Harney County] Sheriff Ward didn't do his job.

"They live in a bizarro world where the sheriff has ultimate authority. There's zero backing for that legally. But they're looking for a sheriff to give them cover."

Unusually Strong Bonds in a Small Rural Community

Harney County, home to the refuge and 7,100 people in south-central Oregon, sprawls over horizons of flat sagebrush rangeland, towering slabs of mountains and wet meadows teeming with wildlife. Here in the high desert, a collaborative process of land-use planning has forged strong relationships between people with backgrounds that range from environmental activism and cattle ranching to birding enthusiasts and botanists. Together, they have pioneered a model of cooperative management of federal land that has made partners out of adversaries who, in other parts of the state, are more likely to end up on opposite ends of a lawsuit.

Ammon Bundy's political arguments - that the federal government ignores the concerns of ranchers and makes ranching a dying way of life - resonated with some in this rural community. But most locals have personal relationships with the amorphous "feds" Bundy referred to in his daily news conferences. Nearly half of the county's residents work for the local or federal government. The families of some of the U.S. Fish & Wildlife employees on the refuge have lived in Harney County for generations.

Bundy, who is not a rancher but does run a vehicle maintenance service in the sprawling metropolis of Phoenix, Arizona, based his decision to use Harney County as a test case to spread his movement on a shallow understanding of the community.



"When I first heard about the occupation, I was really sad because they basically hijacked the narrative out here for their own narrow political purposes," Bob Sallinger, the conservation director for the Audubon Society of Portland, said. Sallinger is also a participant in the collaborative process that led to the Malheur National Wildlife Refuge Comprehensive Conservation Plan.

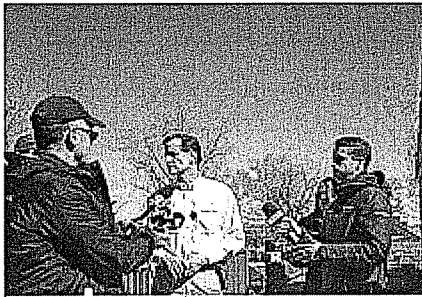
In 2005, Harney County rancher Gary Marshall and refuge manager Chad Karges founded the High Desert Partnership - a group dedicated to facilitating a process of listening and cooperative land-use planning between ranchers, environmentalists and the government. The nonprofit was the key to getting people who hadn't spoken in decades to the table in order to come up with the refuge conservation plan.

Collaboration transformed local land-use politics from a stagnant process where litigation reigned and very few actionable decisions were ever made to one that rebuilt eroded community bonds and sparked novel resolutions to contentious issues.

"It's always interesting to really sit down with somebody and truly figure out where they are coming from as a person," Karges said. "And they get to understand what you're thinking as well. They're not just a rancher. They're not just a conservationist. They are a person. And once you build that trust, then you begin to find unique solutions for some of these long-standing problems we've been dealing with because nobody ever thought to have that conversation.

"Going into these processes, you always have some idea in the back of your mind about what the outcome is

probably to look like. But I've found that it never turns out to be what you thought and it's usually better than you ever could have imagined."



U.S. Fish & Wildlife Director Dan Ashe speaks to reporters.

Credit: Karina Brown/CNS

During a visit to the refuge in March, U.S. Fish & Wildlife Director Dan Ashe estimated that it will take at least three years and \$6 million to fix the ecological damage caused by the occupation of the Malheur National Wildlife Refuge. But those involved say the 41-day occupation could have been even more detrimental.

Standing at a viewpoint high above the refuge's meadows, refuge ecologist Jess Wenick said the community had created a buffer against Bundy's attempt to spearhead a political movement through years of listening, compromise and shared success.

"Without all that relationship-building, we could have very well been a militia stronghold at this point," Wenick said.

Miel Corbett, deputy assistant regional director of migratory birds for the U.S. Fish & Wildlife Service, said in an interview that there is a spirit of connection in the Harney County that Bundy didn't count on.

"The division in this community was significantly reduced during the occupation because we know each other and we trust each other," Corbett said.

And ranchers here know the government will hold up its end of any bargain because they have years of experience telling them exactly that.

Dan Nichols, a local rancher and Harney County commissioner with a thick white moustache, said ranchers had gradually grown to trust local federal employees during the years of negotiations that led to the refuge conservation plan.

"It's kind of intangible to some people why things have changed in the last 20 years, but it's largely due to the collaborative process at the refuge and the ability to have a voice in something," Nichols told Courthouse News. "And that was the big thing. Not everybody locally participated, but still they had somewhat of a voice in how it would be managed into the future. And that kind of took away some of our concerns."

But not everyone is satisfied with the process.

A logger and life-long resident of Harney County who spoke on the condition of anonymity said he dropped out of the collaborative meetings after other participants vetoed the logging of ponderosa pine trees that are larger than 21 inches in diameter.

He said logging should be allowed on all sizes of trees, because they are dying from drought and pine beetle infestations. He asked not to be named because of concerns that criticizing the collaborative process could have a negative effect on the government contracts he needs.

"We've got thousands of acres of dead forest," he said. "We should be able to utilize them, but we just let them die. When you only take a certain diameter of tree, what you're doing is creating is a uniform forest. That would be like killing everybody under the age of 50 and letting the rest try to survive. They'd get old and die and that's what trees do, whether from bugs or fire. But if you take some small trees and some big ones, you're making a healthier forest."

The logger said he was too frustrated to continue to participate.

"It's a lot of talk, in my opinion, nothing actually getting done."

And Suckling, with the Center for Biological Diversity, warned against an overly rosy view that the collaboration



Karina Brown/CNS

will fend off the next militia takeover. He said that while the collaborative effort in Harney County is a good step, but it's not the whole answer.

"Collaboration is not going to prevent another standoff because these are the crazies and they don't care about reason," Suckling said. "But it could help the communities withstand that onslaught."

Years of cooperation and trust protected Harney County from an influx of extremism, and that slowed the spread of a dangerous movement that threatened nothing less than the democratic process, according to Ryan Lenz, editor of the Southern Poverty Law Center's HateWatch blog.

"At the root of everything that the Bundys and their adherents and the militias that support them were about was this idea of 'liberty,' but what that ultimately meant to them was that the system of law that democracy depends on should be thwarted or denied," Lenz said. "Its legitimacy was questioned. That was not simply a rhetorical threat. Lawlessness is not synonymous with liberty. Courts matter. We have a system of courts put in place to enforce laws. And we have a system of people, of elected representatives who we have agreed can speak for us. And because of that, we have a system of democracy."

Lenz acknowledged that the First Amendment protects Bundy's right to say almost anything he wants. But he said Bundy's message had a real effect in the world.

"Rhetoric does lead to acts of violence," Lenz said. "It's not just words. We have seen again and again that these words can lead to acts of violence among those less stable."

A Process that Created a Deep Well of Mutual Trust

During a recent visit to Harney County, U.S. Interior Secretary Sally Jewell called the collaborative process forged at Malheur a "model" that she wants to spread throughout the American West.

Jewell said the reality of life in Harney County contradicts Bundy's script of feds versus ranchers.

"I think what you've shown here is that it's not us and them," Jewell said. "It's all us. And we're all working together for many more common purposes than cross-purposes."

Jewell promised to help clear the path for more voices to participate in land-management decisions.

"We were absolutely talking about the thought of 'Is there something I can or should do from a secretarial order that would provide an expectation of collaboration? Is that helpful?'" Jewell said. "We don't want to do that from top down, because there is enough criticism about top-down decisions, but what you want to do is have that be a collaborative process where I can say, 'What is getting in your way of collaboration? What are the barriers we can knock down?' And then we can go about knocking down those barriers.

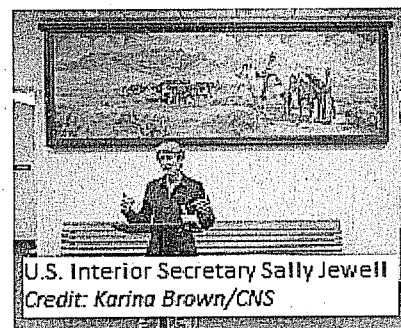
"There's also an opportunity to showcase the good things about what happened here, so people can then form their own path about what's right for their county and what shape that collaboration takes," she added.

One threat that almost killed the collaborative process in Harney County was grazing on the refuge.

For ranchers, grazing on the refuge is a financial imperative. The U.S. Fish & Wildlife Service says it improves habitat. But environmentalists say grazing has no place on a bird refuge.

Nichols said he and other ranchers fought to be able to graze their cattle seasonally on the wet meadows of the refuge. Grazing on federal land is cheaper than on either state or private land. The cost has not increased since the 1970s, and Nichols said that's a key component to the survival of Harney County's struggling ranching economy.

And while ranchers and the Fish & Wildlife Service say grazing helps keep invasive grasses at bay and ultimately



creates better bird habitat, environmentalists disagree. But they decided to allow grazing in the fall and to collect extensive data on the effects of grazing in the refuge.

Nichols said the process has helped locals feel that the federal government is listening to them.

"As a rancher, I had a vested interest in resolving the conflict that's been going on for years between the disputing factions about how we ought to use our public lands," Nichols said. "It's relieved some of the pressure by giving one outlet for people to speak their mind and be involved."

For the Audubon Society of Portland's Bob Sallinger, there was plenty at stake over the management of the Malheur National Wildlife Refuge. The Audubon Society was founded soon after Theodore Roosevelt established the refuge in 1908, specifically to help protect the fledgling refuge.



Back then, birds at Malheur were decimated by public appetites for hats covered in exotic plumage. Now, there are different threats - habitat loss, invasive-grass species that choke out native grasses and, perhaps most significantly, the non-native carp that proliferate in the refuge's system of lakes and wetlands, gobbling up native plants and insects and utterly changing the landscape that migrating birds depend on.

And though grazing on refuge land may not be ideal, Sallinger said there was enough to gain from working together - and from mutual understanding of the differing perspectives at play - to justify compromise.

"We really took the time to get to know each other and each other's issues," Sallinger said. "And I think part of it was that after spending that time, we found some real opportunities where we agreed. In some ways, those outweighed the places where we disagreed."

Refuge ecologist Jess Wenick said the agreement to let ranchers continue to graze in the refuge has allowed environmentalists to collect key data on the practice.

"Grazing was probably going to end up in litigation for the refuge," Wenick said in an interview. "But through this process, those who weren't comfortable with grazing allowed the program's continuation based on ramping up the science that was going to go along with it. We started some very intensive monitoring to make sure that our objectives and our observations over the years and our beliefs over what it does on the ground actually play out with real data."

Wenick said the collaborative agreements made ranchers with permits to graze on the refuge just as invested as environmentalists as to whether the data shows that grazing is working.

"During the occupation, I received calls from two different permittees," Wenick said. "They were concerned about, if the occupation continues, will the data be collected in both the treated and untreated meadows? Because they are wanting that data collected just as much as, say, Portland Audubon and The Wetlands Conservancy."

But nobody called Wenick during the occupation to claim an allegiance with Bundy.

"I have not heard from any permittee who agreed with what Ammon Bundy was saying about the refuge," Wenick said.

And that level of investment is ultimately what kept Bundy from using Harney County as a prop to build his movement.

"The ground that we gained over the last decade definitely prevented the militia from succeeding," Wenick said.

The group's agreements accomplished more than just immediate economic and conservation goals, Sallinger said.

"It also sets a framework for working through the places where we still disagree. It allows for the trust and the creativity that will help us move through those things maybe in a less contentious way in the future."

"There are plenty of places I can look at and say that conflict has simply stopped progress altogether. You may be winning a philosophical battle, but are you actually improving the landscape? You may be right or wrong on the point you are making, but if you're not making progress on the ground, it doesn't matter."

Wenick agreed, noting that people with vastly differing ideologies were together able to forge a working management plan.

"There was a level of trust that I had never seen before in a public process like this," Wenick said. "To where even if you couldn't see eye-to-eye, you could still talk it out. There always seemed to be a way through it."

He's Not a Cowboy, He Just Plays One on the News

That model - of listening intently to those with opposing viewpoints and prioritizing action on shared goals over hollow political pronouncements - stands in stark contrast to the actions of Ammon Bundy, an outsider who tries to cram his own ideology down locals' throats and claims he's doing it for them.

At the refuge headquarters in March, Ashe told reporters that locals had made their opposition to the occupation clear.

"During the occupation we heard people saying to the occupiers, 'Listen, we may have grievances with the government, but we have a way to work them out,'" Ashe said.

The message made it from remote Harney County to Washington. But somehow, Bundy never heard it. Or maybe he just disregarded it. During the standoff, he repeatedly told press and local officials like Harney County Sheriff Dave Ward that local ranchers were being "ignored" by the government.

"There becomes a time when people are ignored to where they are frustrated and they don't know what to do," Bundy said at a press conference early in the occupation. "They see an injustice, but all levels of government are ignoring that. And the prudent methods are not allowed to be productive. And that is when the people have a right to take a hard stand. And that is what we did."

When locals called for the occupation to end, Bundy just changed his message to say his "supporters" in Harney County were too scared of government reprisals to speak up.

"Their ideology wouldn't allow them to admit that the people wouldn't want them to be there," Suckling said. "The level of delusion was incredible. They decided that the people must be too afraid speak up and therefore we have to protect them."

Initially, Bundy claimed he would pack up his standoff and head out if locals said they didn't want him there. But during a man-to-man meeting with Harney County Sheriff Dave Ward on a deserted stretch of snowy highway, Ward told Bundy the community wanted him out.

Bundy refused to go.

"We're being ignored again," Bundy told Ward.

The two men stood facing each other with the vast range spread out behind them. Bundy wore a cowboy hat. Ward's gold sheriff's badge gleamed on his chest. A scene straight from a spaghetti western, playing out in real life.

"Enough is enough when there is actual action happening," Bundy told reporters after the meeting. "And we'll know when that is."

But like a movie, Bundy's lines were fictional - at least according to Andy Dunbar, whose ranch borders the



refuge.

After all that collaboration, Dunbar said it was a shock for an outsider to show up claiming to take over the refuge on behalf of ranchers when he clearly lacked actual knowledge of what it's like to be a rancher in Harney County.

"It was like a slap in the face," Dunbar said.

Bundy's downfall was his ignorance of his true foe: the strong relationships between Harney County ranchers, environmentalists and local government employees. Those relationships were what kept Bundy from exploiting the historical differences between the groups.

"What ultimately led to this being the final saga in the Bundys' story was that they were wrong," HateWatch blog editor Lenz said. "They hoped they would storm this building with an uprising of local support and find massive evidentiary troves proving government malfeasance. What they found instead was nothing. And all they accomplished was the destruction of a cherished community space.

"And it was a flop. It was a strategic mistake to go that far. Because the idea that they hoped to plant in Oregon never bloomed, partially because the community didn't want it and because the idea was flawed to begin with, but also because of tactics they chose."

Bundy spent 41 days playing at the role of a political crusader. But he got the character of Harney County all wrong.

Even as presidential candidates trade insults about each other's wives on Twitter, this sleepy rural community has shown that another type of political discourse is possible - even in an uncertain economic climate, and between people with fundamental disagreements on political priorities.

That's a message that takes more than 140 characters to convey.

"Fear is easy to sell," Secretary Jewell said. "It oversimplifies complexity and I think that we've seen a portion of our population that is reacting to simple messages. The reality is, what you've done here is not simple or easy, but it is real life. It's a fact that things need to be in good balance. And it's hard to communicate. It doesn't lend itself to a quick social-media hit.

"But fear is easy to peddle. And don't we see a lot of that being peddled right now?"

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FILED 08 MAR '16 16:34 USDC-ORP

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PORTLAND DIVISION

UNITED STATES OF AMERICA

3:16-CR-00051-BR

v.

AMMON BUNDY,
JON RITZHEIMER,
JOSEPH O'SHAUGHNESSY,
RYAN PAYNE,
RYAN BUNDY,
BRIAN CAVALIER,
SHAWNA COX,
PETER SANTILLI,
JASON PATRICK,
DUANE LEO EHMER,
DYLAN ANDERSON,
SEAN ANDERSON,
DAVID LEE FRY,
JEFF WAYNE BANTA,
SANDRA LYNN ANDERSON,
KENNETH MEDENBACH,
BLAINE COOPER,
WESLEY KJAR,
COREY LEQUIEU,
NEIL WAMPLER,
JASON CHARLES BLOMGREN,
DARRYL WILLIAM THORN,
GEOFFREY STANEK,
TRAVIS COX,
ERIC LEE FLORES, and


SUPERSEDING INDICTMENT

18 U.S.C. § 372
18 U.S.C. § 930(b)
18 U.S.C. § 924(c)(1)(A)
18 U.S.C. § 641
18 U.S.C. § 1361
18 U.S.C. § 2

UNDER SEAL

Defendants.

THE GRAND JURY CHARGES:

COUNT 1
(Conspiracy to Impede Officers of the United States)
(18 U.S.C. § 372)

On or about November 5, 2015, and continuing through February 12, 2016, in the District of Oregon, defendants **AMMON BUNDY, JON RITZHEIMER, JOSEPH O'SHAUGHNESSY, RYAN PAYNE, RYAN BUNDY, BRIAN CAVALIER, SHAWNA COX, PETER SANTILLI, JASON PATRICK, DUANE LEO EHMER, DYLAN ANDERSON, SEAN ANDERSON, DAVID LEE FRY, JEFF WAYNE BANTA, SANDRA LYNN ANDERSON, KENNETH MEDENBACH, BLAINE COOPER, WESLEY KJAR, COREY LEQUIEU, NEIL WAMPLER, JASON CHARLES BLOMGREN, DARRYL WILLIAM THORN, GEOFFREY STANEK, TRAVIS COX, ERIC LEE FLORES,** and [REDACTED] did knowingly and willfully conspire and agree together and with each other and with persons known and unknown to the Grand Jury to prevent by force, intimidation, and threats, officers and employees of the United States Fish and Wildlife Service and the Bureau of Land Management, agencies within the United States Department of the Interior, from discharging the duties of their office at the Malheur National Wildlife Refuge and other locations in Harney County, Oregon, in violation of Title 18, United States Code, Section 372.

In furtherance of the conspiracy and to effect the illegal objects thereof, one or more of the defendants and one or more of the conspirators performed the following overt acts in the District of Oregon and elsewhere, including but not limited to the following:

- a. On or about November 5, 2015, Ammon Bundy and Ryan Payne traveled to Harney County, Oregon, to warn the Harney County sheriff of "extreme civil unrest" if certain demands were not met.

b. Beginning in or about November 2015, defendants and conspirators recruited and encouraged other individuals, known and unknown to the grand jury, in person and through social media and other means of communication, to participate and assist in the above-described conspiracy.

c. In or about November 2015 continuing through January 26, 2016, defendants and conspirators traveled to Harney County, Oregon, to intimidate and coerce the population of Harney County, Oregon, in order to effectuate the goals of the conspiracy.

d. Beginning on December 15, 2015, defendants and conspirators brandished and carried firearms throughout Harney County, Oregon, in order to effectuate the goals of the conspiracy.

e. Beginning on January 2, 2016, defendants and conspirators occupied the Malheur National Wildlife Refuge by force while using and carrying firearms.

f. Beginning on January 2, 2016, defendants and conspirators brandished and carried firearms on the premises of the Malheur National Wildlife Refuge and prevented federal officials from performing their official duties by force, threats, and intimidation.

g. Beginning on January 2, 2016, defendants and conspirators refused to leave the Malheur National Wildlife Refuge and allow federal officials to return to their official duties.

h. Beginning on January 2, 2016, defendants and conspirators threatened violence against anybody who attempted to remove them from the Malheur National Wildlife Refuge.

COUNT 2
(Possession of Firearms and Dangerous Weapons in Federal Facilities)
(18 U.S.C. §§ 930(b) and 2)

On or about January 2, 2016, and continuing through February 12, 2016, in the District of Oregon, defendants **AMMON BUNDY, JON RITZHEIMER, RYAN PAYNE, RYAN BUNDY, BRIAN CAVALIER, SHAWNA COX, JASON PATRICK, DYLAN ANDERSON, SEAN ANDERSON, DAVID LEE FRY, JEFF WAYNE BANTA, SANDRA LYNN ANDERSON, WESLEY KJAR, COREY LEQUIEU, JASON CHARLES BLOMGREN, DARRYL WILLIAM THORN, GEOFFREY STANEK, TRAVIS COX, ERIC LEE FLORES,** and [REDACTED], aided and abetted by each other and by others known and unknown to the grand jury, did knowingly possess or cause to be present a firearm or dangerous weapon in a federal facility located at the Malheur National Wildlife Refuge, and counseled, commanded, induced and procured the commission thereof, with the intent that the firearm or dangerous weapon be used in the commission of a crime, to wit: 18 U.S.C. § 372, Conspiracy to Impede Officers of the United States, in violation of Title 18, United States Code, Sections 930(b) and 2.

COUNT 3
(Use and Carry of a Firearm in Relation to a Crime of Violence)
(18 U.S.C. §§ 924(c)(1)(A) and 2)

On or about January 2, 2016, and continuing through February 12, 2016, in the District of Oregon, defendants **AMMON BUNDY, JON RITZHEIMER, RYAN PAYNE, RYAN BUNDY, BRIAN CAVALIER, JASON PATRICK, SEAN ANDERSON, DAVID LEE FRY,** and **COREY LEQUIEU,** aided and abetted by each other and by others known and unknown to the grand jury, did knowingly use and carry firearms during and in relation to a crime of violence for which they may be prosecuted in a court of the United States, that is,

Conspiracy to Impede Officers of the United States, in violation of 18 U.S.C. § 372, and counseled, commanded, induced each other and procured the commission thereof, in violation of Title 18, United States Code, Sections 924(c)(1)(A) and 2.

COUNT 4
(Theft of Government Property)
(18 U.S.C. § 641)

On or about January 15, 2016, in the District of Oregon, defendant **KENNETH MEDENBACH**, willfully and knowingly, did steal, convert, purloin, and convert for his own use a 2012 Ford F-350 Truck, license plate I581021, the value of which exceeded \$1000, which is property of the United States government, United States Fish and Wildlife Service, in violation of Title 18, United States Code, Section 641.

COUNT 5
(Theft of Government Property)
(18 U.S.C. § 641)

On or about January 15, 2016, in the District of Oregon, defendants **JON RITZHEIMER** and **RYAN BUNDY**, willfully and knowingly, did steal, purloin, and convert to their use and the use of another cameras and related equipment, the value of which exceeded \$1000, which is property of the United States government, in violation of Title 18, United States Code, Section 641.

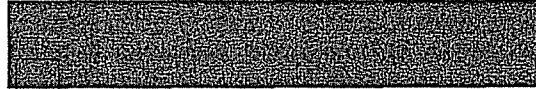
COUNT 6
(Depredation of Government Property)
(18 U.S.C. §§ 1361 and 2)

On or about January 27, 2016, in the District of Oregon, defendants **SEAN ANDERSON** and [REDACTED], aided and abetted by each other, did willfully and by means of excavation and the use of heavy equipment on lands of the Malheur National Wildlife Refuge, property of the United States, injure and commit a depredation against such property, specifically, an

archaeological site considered sacred to the Burns Paiute Tribe, resulting in damage in an amount exceeding \$1000, in violation of Title 18, United States Code, Sections 1361 and 2.

Dated this 8 day of March 2016.

A TRUE BILL.



CIATING FOREPERSON

Presented by:

BILLY J. WILLIAMS
United States Attorney

A large, stylized handwritten signature in black ink, appearing to be 'Ethan D. Knight', is written over the printed name of the attorney.

ETHAN D. KNIGHT
GEOFFREY A. BARROW
CRAIG J. GABRIEL
Assistant United States Attorneys

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

UNITED STATES OF AMERICA,

3:16-cr-00051-BR

Plaintiff,

ORDER GRANTING MOTION
(#465) TO DISMISS AND
DISMISSING COUNT

v.

THREE OF THE SUPERSEDING
INDICTMENT

AMMON BUNDY, JON RITZHEIMER,
JOSEPH O'SHAUGHNESSY, RYAN
PAYNE, RYAN BUNDY, BRIAN
CAVALIER, SHAWNA COX, PETER
SANTILLI, JASON PATRICK,
DUANE LEO EHMER, DYLAN
ANDERSON, SEAN ANDERSON,
DAVID LEE FRY, JEFF WAYNE
BANTA, SANDRA LYNN ANDERSON,
KENNETH MEDENBACH, BLAINE
COOPER, WESLEY KJAR, COREY
LEQUIEU, NEIL WAMPLER, JASON
CHARLES BLOMGREN, DARRYL
WILLIAM THORN, GEOFFREY
STANEK, TRAVIS COX, ERIC LEE
FLORES, and JAKE RYAN,

Defendants.

BROWN, Judge.

This matter comes before the Court on the Motion (#465) to Dismiss filed by Defendants David Lee Fry,¹ Ammon Bundy, Jon Ritzheimer, Ryan Payne, Ryan Bundy, Brian Cavalier, Jason Patrick, and Sean Anderson. For the reasons that follow, the Court **GRANTS** Defendants' Motion and **DISMISSES** Count Three of the Superseding Indictment.

BACKGROUND

In Count Three of the Superseding Indictment (#282) the government charges Defendants with the use and carrying of a firearm in relation to a crime of violence in violation of 18 U.S.C. § 924(c)(1)(A). The "crime of violence" to which Count Three refers is the conspiracy to impede officers of the United States in violation of 18 U.S.C. § 372 as charged in Count One of the Superseding Indictment. In Count One the government alleges Defendants

knowingly and willfully conspire[d] and agree[d] together and with each other and with persons known and unknown to the Grand Jury to prevent by force, intimidation, and threats, officers and employees of the United States Fish and Wildlife Service and the Bureau of Land Management, agencies within the United States Department of the Interior, from discharging the

¹ The Motion was filed by David Lee Fry on behalf of each of the Defendants named in Count Three of the Superseding Indictment, and for purposes of this Order the Court uses "Defendants" and "all Defendants" to refer to those Defendants.

duties of their office at the Malheur National Wildlife Refuge and other locations in Harney County, Oregon, in violation of Title 18, United States Code, Section 372.

DISCUSSION

Defendants contend Count Three must be dismissed because the Section 372 conspiracy offense charged in Count One is not a "crime of violence" within the meaning of § 924(c)(1)(A).

Section 924(c)(3) defines a "crime of violence" as

an offense that is a felony and -

(A) has as an element the use, attempted use, or threatened use of physical force against the person or property of another, or

(B) that by its nature, involves a substantial risk that physical force against the person or property of another may be used in the course of committing the offense.

The first half of this statutory definition of crime of violence is known as the "force clause." The second half of the definition, § 924(c)(3)(B), is known as the "residual clause."

Section 372, in turn, prohibits

conspir[ing] to prevent, by force, intimidation, or threat, any person from accepting or holding any office, trust, or place of confidence under the United States, or from discharging any duties thereof, or to induce by like means any officer of the United States to leave the place, where his duties as an officer are required to be performed, or to injure him in his person or property on account of his lawful discharge of the duties of his office, or while engaged in the lawful discharge thereof, or to injure his property so as to molest, interrupt, hinder, or impede him in the discharge of his official duties.

I. Standard

At the outset the Court must determine the standard to apply when assessing whether § 372 is a "crime of violence" within the meaning of § 924(c).

The parties generally agree the Court should apply the categorical approach first set out in *Taylor v. United States*, 495 U.S. 575 (1990), to determine whether § 372 is a "crime of violence" under § 924(c). Under the categorical approach the court "look[s] to the elements of the offense rather than the particular facts" underlying a defendant's conviction to decide whether the offense "criminalize[s] 'a broader swath of conduct' than the conduct" covered by the definition of "crime of violence" in § 924(c). See *United States v. Dominguez-Maroyoqui*, 748 F.3d 918, 920 (9th Cir. 2014) (quoting *Descamps v. United States*, 133 S. Ct. 2276, 2281 (2013)). Under the categorical approach the analysis focuses exclusively on the elements of the statute. Thus, if the elements of § 372 criminalize a "broader swath of conduct" than the definition of "crime of violence" in § 924(c), then § 372 cannot "qualify as a crime of violence, even if the facts underlying" the charge otherwise meet the definition. *Dominguez-Maroyoqui*, 748 F.3d at 920. See also *Taylor*, 495 U.S. at 600. The Court, therefore, does not express any opinion as to whether the alleged conduct underlying Count

One in the Superseding Indictment meets the definition of "crime of violence" in § 924(c).

"Under the categorical approach, the crime-of-violence determination 'function[s] as an on-off switch': An offense qualifies as a crime of violence 'in all cases or in none.'" *Dominguez-Maroyoqui*, 748 F.3d at 920 (quoting *Descamps*, 133 S.Ct. at 2287).

Nevertheless, a court may employ a modified categorical approach in a "narrow range of cases" to look "beyond the statutory elements to 'the charging paper and jury instructions' used in a case" in order to determine whether the crime charged qualifies as a "crime of violence." *Descamps*, 133 S. Ct. at 2283-84 (quoting *Taylor*, 495 U.S. at 602). Thus, the modified categorical approach is "a tool for implementing the categorical approach" that in certain cases permits the court to "examine a limited class of documents to determine which of a statute's alternative elements formed the basis of the defendant's prior conviction." *Descamps*, 133 S. Ct. at 2284. The modified categorical approach, however, does not provide any basis for the court to look at the conduct of the defendant beyond the elements within the statute. See *id.* In any event, a court may only apply the modified categorical approach if the "statute at issue is divisible." *Rendon v. Holder*, 764 F.3d 1077, 1083 (9th Cir.

2014). The "critical distinction" when determining whether a statute is divisible "is that while indivisible statutes may contain multiple, alternative means of committing the crime, only divisible statutes contain multiple, alternative elements of functionally separate crimes." *Id.* at 1084-85.

Here the government emphasizes the fact that the categorical approach is most often applied when a court is retrospectively determining whether a defendant's existing conviction qualifies as a "crime of violence" for sentencing purposes or other statutory applications. Moreover, the government notes some trial courts have questioned whether the categorical approach even applies when a court is determining whether a concurrently-charged offense for which a defendant has yet to stand trial qualifies as a "crime of violence" under § 924(c)). *See, e.g., United States v. Wells*, No. 2:14-cr-00280-JCM-GWF, 2015 WL 10352877, at *1-*5 (D. Nev. Dec. 30, 2015), adopted by 2016 WL 697107 (Feb. 19, 2016); *United States v. Woodley*, No. 15-cr-20007, 2015 WL 7770859 (E.D. Mich. Dec. 3, 2015); *United States v. Standberry*, 139 F. Supp. 3d 734, 735-37 (E.D. Va. 2015). *But see United States v. Smith*, No. 2:11-cr-00058-JAD-CWH, 2016 WL 2901661, at *3 (D. Nev. May 18, 2016) (questioning the "utility of the categorical approaches outside of the sentencing context," but, nonetheless, following the Ninth Circuit's holding "that the

categorical analyses apply to § 924(c) crime-of-violence determinations both at trial and at sentencing 'without regard to whether the given offense is a prior offense or the offense of conviction.'" (quoting *United States v. Piccolo*, 441 F.3d 1084, 1086 (9th Cir. 2006)). In particular, these courts have questioned whether the Supreme Court's rationale for employing the categorical approach in a retrospective analysis applies with equal force when a court determines whether a concurrently-charged offense is a "crime of violence" in the context of a pretrial motion to dismiss. These courts have observed that, unlike in the sentencing context, a properly instructed jury may determine factually whether the underlying crime qualifies a "crime of violence." See *Woodley*, 2015 WL 7770859, at *4-*5.

Although this Court acknowledges the legitimate reasoning of the district court opinions on which the government relies, the Court, nevertheless, is bound by Ninth Circuit precedent that the categorical approach applies even in the context of determining whether a concurrently-charged predicate offense is a "crime of violence" under § 924(c). *United States v. Amparo*, 68 F.3d 1222, 1224-26 (9th Cir. 1995). See also *Piccolo*, 441 F.3d at 1086. Thus, this Court must apply the categorical analysis (including, if applicable, the modified categorical approach) when determining whether § 372 categorically qualifies as a "crime of violence" under either the force clause or the residual clause of

7 - ORDER GRANTING MOTION (#465) TO DISMISS AND DISMISSING COUNT THREE OF THE SUPERSEDING INDICTMENT

§ 924(c)(3).

II. The Force Clause

As noted, the force clause, 18 U.S.C. § 924(c)(3)(A), defines a "crime of violence" to include "an offense that is a felony" and that "has as an element the use, attempted use, or threatened use of physical force against the person or property of another." 18 U.S.C. § 372, in turn, prohibits "conspir[ing] to prevent, by force, intimidation, or threat" a federal official from discharging the duties of their office.²

The plain language of Section 372 "criminalize[s] 'a broader swath of conduct'" (*Dominguez-Maroyoqui*, 748 F.3d at 920 (quoting *Descamps*, 133 S. Ct. at 2281)) than the definition of "crime of violence" under the force clause, 18 U.S.C. § 924(c)(3)(A), because a "threat" does not always implicate the "threatened use of physical force against the person or property of another." For example, because the express terms of § 372 do not limit a "threat" to the threat of "physical force against the person or property of another," a "threat" under § 372 could be a threat to blackmail a federal officer for the purpose of preventing the officer from discharging his or her duties, which is a kind of

² Although § 372 outlines four separate objects of the conspiracy that are prohibited (see *United States v. Demott*, No. 05-CR-0073, 2005 WL 2314134 (N.D. N.Y. Sept. 22, 2005)), the only object named in Count One of the Superseding Indictment is to prevent officers of the United States "from discharging the duties of their office" "by force, intimidation, and threats."

threat that does not necessarily require as an element the "threatened use of physical force."³ See 18 U.S.C. § 924(c)(3)(A). Nevertheless, a "threat" under § 372 must be illegitimate. See *United States v. Fulbright*, 105 F.3d 443, 452 (9th Cir. 1997). Moreover, the Court notes the word "intimidation" may also encompass conduct that does not present a threat of physical force because "intimidation" could, for example, apply to threats of nonviolent harm to property. See *United States v. Cassel*, 408 F.3d 622, 636 (9th Cir. 2005) ("We conclude that 'intimidation' under 18 U.S.C. § 1860 requires the threat of harm inflicted by the defendant upon the victim's person or property.").

The Court, therefore, concludes § 372 criminalizes a "broader swath of conduct" than the definition of "crime of violence" in the force clause, and, consequently, § 372 is not a categorical match to the force clause. See *Dominguez-Maroyoqui*, 748 F.3d at 920.

In addition, the Court concludes it may not apply the

³ In its Order (#650) Regarding Defendants' Motions to Dismiss Count One for Vagueness and Overbreadth, the Court narrowly construed a "threat" under § 372 to be limited to "true threats" as well as nonviolent threats such as blackmail and extortion that are not protected by the First Amendment. When applying the categorical approach, however, the Court is not permitted to construe a statute to narrow the sweep of a "broader swath of conduct" in order to find a match to the § 924(c)(3) definition of "crime of violence."

modified categorical approach to determine whether § 372 qualifies as a "crime of violence" under § 924(c)(3)(A) because § 372 is not divisible as to whether the object of the conspiracy was accomplished by "force, intimidation, or threat." Indeed, the statutory text makes clear that "force, intimidation, or threat" are three means by which the conspiracy to prevent federal officials from discharging the duties of their office may be accomplished. See *DeMott*, 2005 WL 2314134, at *1-*2. Accordingly, the Court cannot employ the modified categorical analysis to determine whether § 372 qualifies as a "crime of violence" under 18 U.S.C. § 924(c)(3)(A).

Applying the categorical approach on this record, therefore, the Court concludes § 372 is not a "crime of violence" as defined in the force clause of 18 U.S.C. § 924(c)(3)(A).

III. The Residual Clause

Section 372 may, nonetheless, constitute a "crime of violence" within the meaning of § 924(c)(3) if § 372 is a categorical match with the residual clause of § 924(c)(3)(B). Rather than contend § 372 does not qualify as a "crime of violence" under the residual clause, however, Defendants instead argue the residual clause of § 924(c)(3)(B) is void because it is unconstitutionally vague, and, therefore, the government may not rely on the residual clause definition to qualify § 372 as a "crime of violence." As noted, the residual clause defines a

"crime of violence" as an "an offense that is a felony" and "that by its nature, involves a substantial risk that physical force against the person or property of another may be used in the course of committing the offense." 18 U.S.C. § 924(c)(3)(B).

Defendants primarily rely on *United States v. Johnson*, 135 S. Ct. 2551 (2015), to support their argument that the residual clause of § 924(c)(3)(B) is void for vagueness. In *Johnson* the Supreme Court addressed whether the "residual clause" of the Armed Career Criminal Act (ACCA) was void for vagueness. The ACCA defined "violent felony" as "any crime punishable by imprisonment for a term exceeding one year . . . that . . . is burglary, arson, or extortion, involves use of explosives, or otherwise involves conduct that presents a serious potential of physical injury to another." 18 U.S.C. § 924(e)(2)(B)(ii) (emphasis added). The closing clause of the definition (italicized above) was known as the "residual clause." *Johnson*, 135 S. Ct. at 2555-56.

The *Johnson* Court explained that use of the categorical approach when determining whether a predicate offense fits within the ACCA's residual clause requires a court to "picture the kind of conduct that the crime involves in 'the ordinary case,' and to judge whether that abstraction presents a serious potential risk of physical injury." *Id.* at 2557 (quoting *James v. United States*, 550 U.S. 192, 208 (2007)).

The Court then found "two features of the residual clause conspire to make it unconstitutionally vague." *Johnson*, 135 S. Ct. at 2557. First, the Court determined "the residual clause leaves grave uncertainty about how to estimate the risk posed by a crime" because the court performing that analysis "ties the judicial assessment of risk to a judicially imagined 'ordinary case' of a crime, not to real-world facts or statutory elements." *Id.*

Second, the Court reasoned the ACCA residual clause "leaves uncertainty about how much risk it takes for a crime to qualify as a violent felony" because the court making that assessment must apply "an imprecise 'serious potential risk' standard" to a "judge-imagined abstraction" as a result of the "ordinary case" analysis. *Id.* at 2558. The Court found the "serious potential risk" standard to be especially unclear because the four enumerated crimes that the ACCA provided as examples (burglary, arson, extortion, and crimes involving the use of explosives) "are 'far from clear in respect to the degree of risk each poses.'" *Id.* (quoting *Begay v. United States*, 553 U.S. 137, 143 (2008)). Accordingly, the Court reasoned: "By combining indeterminacy about how to measure the risk posed by a crime with indeterminacy about how much risk it takes for the crime to qualify as a violent felony, the residual clause produces more unpredictability and arbitrariness than the Due Process Clause

tolerates.” *Johnson*, 135 S. Ct. at 2558.

In addition to evaluating the vagueness of the statute on its face, the Court in *Johnson* also noted its own “repeated attempts and repeated failures to craft a principled and objective standard out of the residual clause confirm its hopeless indeterminacy” and that lower courts had also struggled with how to apply the residual clause in the ACCA. *Id.* at 2558, 2560-61. Ultimately the Court concluded “[e]ach of the uncertainties in the residual clause may be tolerable in isolation, but ‘their sum makes a task for us which at best could be only guesswork.’” *Id.* at 2560.

Defendants contend the residual clause of § 924(c)(3)(B) is materially indistinguishable from the ACCA residual clause that the Supreme Court found void for vagueness in *Johnson*. Moreover, Defendants point out that since *Johnson* the Ninth Circuit has held another statute, 18 U.S.C. § 16(b), incorporated into the Immigration and Nationality Act, 8 U.S.C. § 1101(a)(43)(F), is also void for vagueness on similar grounds. *Dimaya v. Lynch*, 803 F.3d 1110 (9th Cir. 2015).

Section 16(b) defines a “crime of violence” as “any other offense that is a felony and that, by its nature, involves a substantial risk that physical force against the person or property of another may be used in the course of committing the offense.” 18 U.S.C. § 16(b). After explaining that § 16(b)

"requires courts to 'inquire whether the conduct encompassed by the elements of the offense, in the ordinary case, presents' a substantial risk of force," the Ninth Circuit found the same two considerations that rendered the ACCA residual clause unconstitutionally vague also mandated the invalidation of § 16(b). *Dimaya*, 803 F.3d at 1116-17 (quoting *Delgado-Hernandez v. Holder*, 697 F.3d 1125, 1128 (9th Cir. 2012)). Defendants, therefore, contend the residual clause of § 924(c)(3)(B) is void for vagueness because it is materially indistinguishable from § 16(b).

On the other hand, the government emphasizes the *Dimaya* court expressly declined to "reach the constitutionality of applications of 18 U.S.C. § 16(b) outside of 8 U.S.C. § 1101(a)(43)(F) or to cast any doubt on the constitutionality of 18 U.S.C. § 16(a)'s definition of a crime of violence." *Dimaya*, 803 F.3d at 1120 n.17. In addition, the government asserts the residual clause of § 924(c) is distinguishable from the ACCA residual clause that the Supreme Court invalidated in *Johnson* because § 924(c)(3)(B) lacks the list of enumerated offenses that contributed to the vagueness of the ACCA residual clause, does not require a court to look beyond the elements of the predicate offense, and does not carry with it the same history of "repeated attempts and repeated failures to craft a principled and objective standard" as the ACCA residual clause. See *Johnson*,

135 S. Ct. at 2558.

Nevertheless, the Court notes many of the grounds that the government relies on to distinguish § 924(c)(3)(B) from the ACCA residual clause were considered and rejected by the Ninth Circuit in *Dimaya*. See 803 F.3d at 1118-19. Moreover, following *Johnson* and *Dimaya*, several district courts within the Ninth Circuit have concluded § 924(c)(3)(B) is unconstitutionally vague. See *United States v. Baires-Reyes*, No. 15-cr-00122-EMC-2, 2016 WL 3163049, at *3-*5 (N.D. Cal. June 7, 2016) (finding the reasoning of *Dimaya* applies to the residual clause of § 924(c)(3)(B) and, accordingly, finding § 924(c)(3)(B) void for vagueness); *United States v. Lattanaphom*, No. 2:99-00433 WBS, 2016 WL 393545, at *3-*6 (E.D. Cal. Feb. 2, 2016); *United States v. Bell*, No. 15-cr-00258-WHO, 2016 WL 344749, at *13 (N.D. Cal. Jan. 28, 2016). Although the government correctly points out that the Sixth Circuit in *United States v. Taylor* concluded the residual clause of § 924(c)(3)(B) was not unconstitutionally vague in light of *Johnson*, the Sixth Circuit did so only after acknowledging “§ 16(b) appears identical to § 924(c)(3)(B) in all material respects” and only after expressly declining to follow the Ninth Circuit’s reasoning in *Dimaya*. 814 F.3d 340, 379 (6th Cir. 2016).

Unlike the Sixth Circuit in *Taylor*, this Court is not empowered to decline to follow *Dimaya*. As the *Taylor* court

15 - ORDER GRANTING MOTION (#465) TO DISMISS AND DISMISSING COUNT THREE OF THE SUPERSEDING INDICTMENT

noted, "§ 16(b) appears identical to § 924(c)(3)(B) in all material respects." *Id.* Accordingly, because the Court is bound by *Dimaya*, the Court must conclude § 924(c)(3)(B) is void for vagueness. As a result, the Court cannot rely on the residual clause in § 924(c)(3)(B) to conclude that § 372 is a crime of violence.

For these reasons, the Court concludes on this record that § 372 is not a crime of violence within the meaning of § 924(c)(3), and, therefore, Count Three must be dismissed.

CONCLUSION

For these reasons, the Court **GRANTS** Defendants' Motion (#465) to Dismiss and **DISMISSES** Count Three of the Superseding Indictment.

IT IS SO ORDERED.

DATED this 10th day of June, 2016.



ANNA J. BROWN
United States District Judge

FOR PUBLICATION

**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

UNITED STATES OF AMERICA,
Plaintiff-Appellant,

v.

STEVEN DWIGHT HAMMOND,
Defendant-Appellee.

No. 12-30337

D.C. No.
6:10-cr-60066-
HO-1

UNITED STATES OF AMERICA,
Plaintiff-Appellant,

v.

DWIGHT LINCOLN HAMMOND, JR.,
Defendant-Appellee.

No. 12-30339

D.C. No.
6:10-cr-60066-
HO-2

OPINION

Appeal from the United States District Court
for the District of Oregon
Michael R. Hogan, District Judge, Presiding

Submitted December 3, 2013*
Seattle, Washington

* The panel unanimously concludes this case is suitable for decision without oral argument. *See* Fed. R. App. P. 34(a)(2).

Filed February 7, 2014

Before: Richard C. Tallman and Carlos T. Bea, Circuit
Judges, and Stephen J. Murphy, III, District Judge**

Opinion by Judge Murphy

SUMMARY***

Criminal Law

On appeals by the government, the panel vacated sentences for maliciously damaging the real property of the United States by fire, in violation of 18 U.S.C. § 844(f)(1), and remanded for resentencing, in cases in which the defendants set fires on their ranch land that spread to public land.

The panel rejected the defendants' contention that the government waived its right to appeal the sentences in the plea agreements or otherwise failed to preserve its objection to the sentences. The panel explained that the principles governing the formation and interpretation of plea agreements leave no room for implied waivers.

** The Honorable Stephen J. Murphy, III, United States District Judge for the Eastern District of Michigan, sitting by designation.

*** This summary constitutes no part of the opinion of the court. It has been prepared by court staff for the convenience of the reader.

UNITED STATES V. HAMMOND

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The panel held that the district court illegally sentenced the defendants to terms of imprisonment less than the statutory minimum. The panel observed that although the district court attempted to justify lesser sentences on Eighth Amendment grounds, sentencing the defendants to five years of imprisonment would not have been unconstitutional.

COUNSEL

Kelly A. Zusman, Assistant United States Attorney; S. Amanda Marshall, United States Attorney, District of Oregon, Portland, Oregon, for Plaintiff-Appellant.

Lawrence H. Matasar, Lawrence Matasar, P.C., Portland, Oregon, for Defendant-Appellee Steven Dwight Hammond.

Marc D. Blackman and Kendra M. Matthews, Ransom & Blackman, LLP, for Defendant-Appellee Dwight Lincoln Hammond, Jr.

OPINION

MURPHY, District Judge:

The government appeals the sentences of Steven and Dwight Hammond, whom a jury convicted of maliciously damaging the real property of the United States by fire, in violation of 18 U.S.C. § 844(f)(1). The convictions carried minimum sentences of five years of imprisonment, but citing Eighth Amendment concerns, the district court sentenced Steven to only twelve months and one day of imprisonment and Dwight to only three months of imprisonment. Because

the sentences were illegal and the government did not waive its right to appeal them, we vacate the sentences and remand for resentencing.

I. Background

The Hammonds have long ranched private and public land in Eastern Oregon. Although they lease public land for grazing, the Hammonds are not permitted to burn it without prior authorization from the Bureau of Land Management. Government employees reminded Steven of this restriction in 1999 after he started a fire that escaped onto public land.

But in September 2001, the Hammonds again set a fire on their property that spread to nearby public land. Although the Hammonds claimed that the fire was designed to burn off invasive species on their property, a teenage relative of theirs testified that Steven had instructed him to drop lit matches on the ground so as to “light up the whole country on fire.” And the teenager did just that. The resulting flames, which were eight to ten feet high, spread quickly and forced the teenager to shelter in a creek. The fire ultimately consumed 139 acres of public land and took the acreage out of production for two growing seasons.

In August 2006, a lightning storm kindled several fires near where the Hammonds grew their winter feed. Steven responded by attempting back burns near the boundary of his land. Although a burn ban was in effect, Steven did not seek a waiver. His fires burned about an acre of public land.

The government ultimately prosecuted the Hammonds on charges related to these and other fires. After trial, the jury deliberated several hours and returned a partial verdict. The

jury convicted Steven of two counts and Dwight of one count of maliciously damaging the real property of the United States by fire, in violation of 18 U.S.C. § 844(f)(1), based on their respective roles in the September 2001 and August 2006 fires. The jury also acquitted the Hammonds of some charges and failed to reach a verdict on others, including conspiracy charges brought against Steven and Dwight. The judge then instructed the jury to continue deliberating.

While the jury deliberated on the remaining charges, the parties reached an oral agreement and presented it to the court.¹ The government told the court that the Hammonds had agreed to “waive their appeal rights” — except with respect to ineffective assistance of counsel claims — “and accept the verdicts as they’ve been returned thus far by the jury.” In return, the government promised to “recommend” that Steven’s sentences run concurrently and agreed that the Hammonds “should remain released pending the court’s sentencing decision.”

The Hammonds agreed with the government’s summary of the plea agreement. Their attorneys also added that the Hammonds wanted the “case to be over” and hoped to “bring th[e] matter to a close.” According to the defense, the “idea” of the plea agreement was that the case would “be done with at the sentencing” and that the “parties would accept . . . the sentence that’s imposed.” The district court then accepted the plea agreement and dismissed the remaining charges.

¹ Although the Hammonds did not enter guilty pleas, the Hammonds agreed not to contest the jury verdicts in exchange for the government moving to dismiss other charges. The resulting posture is the same as that following a plea agreement. We thus will refer to the oral agreement here as a plea agreement and apply to it the law governing plea agreements.

At sentencing, the court found that the guidelines range for Steven was 8 to 14 months and for Dwight was 0 to 6 months. Yet their convictions carried five-year minimum terms of imprisonment. *See* 18 U.S.C. § 844(f)(1). The government accordingly recommended five-year sentences of imprisonment and argued — both in its sentencing memorandum and at sentencing — that the court lacked discretion to impose lesser sentences.

The court, however, concluded that the Eighth Amendment required deviation from the statutory minimum. Observing that Congress probably had not intended for the sentence to cover fires in “the wilderness,” the court reasoned that five-year sentences would be grossly disproportionate to the severity of the Hammonds’ offenses. The court then sentenced Steven to two concurrent terms of twelve months and one day of imprisonment and Dwight to three months of imprisonment.

II. Standard of Review

We review both a waiver of appeal and the legality of a sentence *de novo*. *See United States v. Bibler*, 495 F.3d 621, 623 (9th Cir. 2007) (waiver of appeal); *United States v. Dunn*, 946 F.2d 615, 619 (9th Cir. 1991) (legality of a sentence).

III. Discussion

A. Waiver

A threshold issue is whether the government waived its right to appeal the Hammonds’ sentences in the plea agreement or otherwise failed to preserve its objection. We find no grounds for dismissing the appeal.

UNITED STATES V. HAMMOND

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The Hammonds first argue that the government waived its right to appeal in the plea agreement. Because a plea agreement is partly contractual in nature, we interpret it from the perspective of a reasonable defendant. *See United States v. De la Fuente*, 8 F.3d 1333, 1337–38 (9th Cir. 1993). But there is no ambiguity here to interpret. A reasonable defendant would expect that the absence of any statements on the government’s right to appeal simply means that no waiver was contemplated. *See United States v. Anderson*, 921 F.2d 335, 337–38 (1st Cir. 1990).

The Hammonds respond by arguing that the statements of defense counsel show that an all-around waiver of appellate rights was the *sine qua non* of the plea agreement. The record, however, belies that assertion. The statements made by defense counsel just before the judge accepted the plea agreement underscore that all parties sought to resolve the case swiftly, but finality was not the only benefit supporting the plea agreement. Other benefits included favorable recommendations from the government and the dismissal of charges. We thus cannot reasonably read defense counsels’ references to finality as meaning that no party could take an appeal.

Assuming then that the plea agreement is silent on the government’s right of appeal, the Hammonds urge us to imply a waiver into the plea agreement. We have never before done so. But relying on *United States v. Guevara*, 941 F.2d 1299 (4th Cir. 1991), the Hammonds argue that construing the government’s silence as an implied waiver will promote fairness and finality. We reject that position.

The principles governing the formation and interpretation of plea agreements leave no room for implied waivers.

Federal Rule of Criminal Procedure 11, not the common law of contracts, governs the making of plea agreements. *See United States v. Escamilla*, 975 F.2d 568, 571 n.3 (9th Cir. 1992); *United States v. Partida-Parra*, 859 F.2d 629, 634 (9th Cir. 1988). Although Rule 11 gives courts discretion to accept or reject a plea agreement, it does not authorize courts to remake a plea agreement or imply terms into one. *See United States v. Benchimol*, 471 U.S. 453, 455 (1985) (per curiam) (“Rule 11[] . . . speaks in terms of what the parties in fact agree to, and does not suggest that such implied-in-law terms as were read into this agreement by the Court of Appeals have any place under the rule.”); *United States v. Stevens*, 548 F.2d 1360, 1362 (9th Cir. 1977) (observing that Congress rejected a version of Rule 11 that would have allowed a court to modify a plea agreement in favor of the defendant). We accordingly “enforce the literal terms” of a plea agreement, construing only ambiguous language in the defendant’s favor. *United States v. Franco-Lopez*, 312 F.3d 984, 989 (9th Cir. 2002); *see also United States v. Johnson*, 187 F.3d 1129, 1134–35 (9th Cir. 1999). These principles preclude us from implying a waiver where none exists.

Moreover, nothing in the nature of plea agreements requires that each promise must be “matched against a mutual and ‘similar’ promise by the other side.” *United States v. Hare*, 269 F.3d 859, 861 (7th Cir. 2001). To be sure, the idea behind a plea agreement is that each side waives certain rights to obtain some benefit. *See Partida-Parra*, 859 F.2d at 633. But there are ample reasons that a defendant might enter a plea agreement short of extinguishing the government’s right to appeal, including the possibility of a lower sentence and the dismissal of other charges. *Hare*, 269 F.3d at 861; *cf. Brady v. United States*, 397 U.S. 742, 752 (1970) (listing possible reasons for entering a plea). For example, the

Hammonds negotiated for favorable recommendations from the government and the dismissal of charges. Such benefits are consideration enough to support a plea agreement. *See Hare*, 269 F.3d at 861–62.

Finally, contrary to the Hammonds’ assertion, the record leaves no doubt that the government preserved the objection to the sentences that it raises on appeal. Nowhere did the government make a “straightforward” concession. *United States v. Bentson*, 947 F.2d 1353, 1356 (9th Cir. 1991). Nor did the government fail to give the district court an opportunity to address the argument it raises on appeal. *See United States v. Grissom*, 525 F.3d 691, 694–95 (9th Cir. 2008). In its sentencing memorandum and at sentencing, the government argued that the trial judge lacked discretion to deviate from the statutory minimum. The government thus preserved its objection, and we may hear its appeal.

B. Sentences

Turning now to the merits, we hold that the district court illegally sentenced the Hammonds to terms of imprisonment less than the statutory minimum. A minimum sentence mandated by statute is not a suggestion that courts have discretion to disregard. *See United States v. Wipf*, 620 F.3d 1168, 1169–70 (9th Cir. 2010). The court below was bound to sentence the Hammonds to five-year terms of imprisonment. *See* 18 U.S.C. 844(f)(1). Although the district court attempted to justify lesser sentences on Eighth Amendment grounds, sentencing the Hammonds to five years of imprisonment would not have been unconstitutional.

Rather than categorically challenge five-year sentences for arson, the Hammonds argue that the sentences would be

constitutionally disproportionate “under the unique facts and circumstances of this case.” We assess this type of Eighth Amendment challenge by “compar[ing] the gravity of the offense to the severity of the sentence.” *United States v. Williams*, 636 F.3d 1229, 1232 (9th Cir. 2011) (citing *Graham v. Florida*, 560 U.S. 48, 60 (2010)). Only in the “rare case in which this threshold comparison leads to an inference of gross disproportionality,” do we then “compare the defendant’s sentence with the sentences received by other offenders in the same jurisdiction and with the sentences imposed for the same crime in other jurisdictions.” *Graham*, 560 U.S. at 60 (internal citations and quotation marks omitted).

Here, we need not progress beyond the first step. Congress has “broad authority” to determine the appropriate sentence for a crime and may justifiably consider arson, regardless of where it occurs, to be a serious crime. *Solem v. Helm*, 463 U.S. 277, 290 (1983). Even a fire in a remote area has the potential to spread to more populated areas, threaten local property and residents, or endanger the firefighters called to battle the blaze. The September 2001 fire here, which nearly burned a teenager and damaged grazing land, illustrates this very point.

Given the seriousness of arson, a five-year sentence is not grossly disproportionate to the offense. The Supreme Court has upheld far tougher sentences for less serious or, at the very least, comparable offenses. *See Lockyer v. Andrade*, 538 U.S. 63 (2003) (upholding a sentence of fifty years to life under California’s three-strikes law for stealing nine videotapes); *Ewing v. California*, 538 U.S. 11 (2003) (upholding a sentence of twenty-five years to life under California’s three-strikes law for the theft of three golf clubs);

Hutto v. Davis, 454 U.S. 370 (1982) (per curiam) (upholding a forty-year sentence for possession of nine ounces of marijuana with the intent to distribute); *Rummel v. Estelle*, 445 U.S. 263 (1980) (upholding a life sentence under Texas's recidivist statute for obtaining \$120.75 by false pretenses). And we and other courts have done the same. *See, e.g., United States v. Tolliver*, 730 F.3d 1216, 1230–32 (10th Cir. 2013) (upholding a 430-month sentence for using arson in the commission of a felony); *United States v. Major*, 676 F.3d 803, 812 (9th Cir. 2012) (upholding a 750-year sentence for offenses under 18 U.S.C. § 924(c)), *cert. denied*, 133 S. Ct. 280; *United States v. Meiners*, 485 F.3d 1211, 1212–13 (9th Cir. 2007) (per curiam) (upholding a fifteen-year sentence for advertising child pornography); *United States v. Uphoff*, 232 F.3d 624, 625–26 (8th Cir. 2000) (upholding a five-year sentence for arson of a building).

Because the district court erred by sentencing the Hammonds to terms of imprisonment less than the statutory minimum, we vacate the sentences and remand for resentencing in compliance with the law.

VACATED AND REMANDED.

MAY 2014 PROTEST:
RECAPTURE CANYON, UTAH
CRIMINAL INFORMATION
SEPTEMBER 2014

NEWS

Recapture Canyon, Utah, to be site of next BLM showdown

By **NANCY LOFHOLM** |

May 3, 2014 | UPDATED: 2 years ago

Recapture Canyon is a calm place of cottonwood shade, sinuous streams, beaver ponds and bird song. Ancient cliffside dwellings and ground dotted with potsherds lend it an aura of quiet mystery.

But this canyon — so close to Blanding, Utah, that locals there consider it their wild backyard — is also the site of a long-standing but escalating anti-federal government, Cliven Bundyesque furor.

On Saturday, protesters plan to drive their ATVs past a “closed to motorized use” sign and into the 11-mile-long canyon to show their disdain for the Bureau of Land Management’s decision to keep that area off-limits to vehicles.

The BLM — after a huddle with the FBI, the Utah attorney general’s office, the Utah Department of Public Safety and San Juan County Sheriff Rick Eldredge — has decided once again to “stand back” and avoid a confrontation as it did several weeks ago on the Bundy ranch in Nevada, Eldredge said.

“It was decided that, at the end of the day, it is not worth it to spill any blood,” Eldredge said of the decision.

But Juan Palma, Utah's director of the BLM, issued a less conciliatory statement.

MAP: Recapture Canyon

“The BLM-Utah has not and will not authorize the proposed ride and will seek all appropriate civil and criminal penalties against anyone who uses a motorized vehicle within the closed area,” Palma’s statement read in part.

It’s anybody’s guess as to how many ATVs will converge on the town of 3,500 for the Recapture protest and for what may or may not be a showdown.

The protest was planned initially by San Juan County Commissioner Phil Lyman as a local event. But that was before the world’s attention was drawn to the feud over cattle grazing between Nevada’s Bundy and the BLM. Bundy’s stand against the BLM sparked a new outburst of this-land-is-my-land anger at the federal government and its public-land policies and brought domestic militia groups to a rural patch of Nevada.

San Juan County, with more than 90 percent of its land public or belonging to the Navajo Nation, is a likely setting for another set-to.

It has long been a hotbed of far-right anger over federal intrusion into local affairs, especially after what were viewed locally as heavy-handed federal raids that rounded up dozens of longtime residents for artifact looting in the 1980s and in 2011.

San Juan County residents who support Saturday’s protest ride identify themselves on their Facebook pages as fans of Bundy and guns-rights rocker Ted Nugent. They express hatred for President Barack Obama and Senate Majority Leader Harry Reid, a Nevada Democrat.

BLM employees in San Juan County have had windows shot out of their homes and their yards torn up by ATVs in the middle of the night.

“It is fair to say that the vast majority of people here are frustrated with the federal presence here,” said Bill Boyle, a lifelong resident and publisher of the San Juan Record newspaper.

Most recently, some fed-up county officials pushed unsuccessfully to take over the national parks in San Juan County's boundaries when they were shut down over the federal government's failure to reach a budget agreement last fall. The county has also been trying to claim county control over a road in Canyonlands National Park that has been closed by park authorities.

The county has been tussling with the BLM over Recapture Canyon for more than a decade and for the past two years has been attempting, through right-of-way channels, to wrest control of the canyon from the BLM.

The BLM closed the canyon to ATVs and dirt bikes seven years ago after motorized-use proponents illegally constructed a 7-mile-long, 4-foot-wide trail through the canyon. The trail — complete with bridges, berms and stiles — cut through archaeological sites.

Two local men were eventually arrested for causing some of the damage, and local sentiment swung their way.

Nearly 300 people walked through Recapture in 2011 in support of the two men and in an effort to raise money when the pair were fined for damages.

"They are just a couple of fellas trying to improve our recreational experience," one local blogger commented.

The trail damage required a damage assessment, an engineering review and an extended consulting process that is ongoing. It recently yielded a proposal for limited motorized access to the north side of the canyon but not to the southern reaches closest to Blanding.

That potential concession has angered some on the other side of the issue. Even supporters of the BLM's right to keep nonmotorized vehicles out of Recapture Canyon say the agency has at times been ineffective in that region because it is underfunded and understaffed.

"There has been some BLM bungling," said Andrew Gulliford, a professor of history and environmental studies at Fort Lewis College in Durango, who has written extensively about the problems in San Juan County.

Lyman did not return calls asking for comment about his protest, but he has used social media to drum up support.

Lyman told the San Juan Record that people from around the country are promising to load up their ATVs and drive with him into the canyon to help support his cause.

“This may blow up to be significantly more than they thought,” Boyle said. “I think there are those who would like everyone with an AK-47 to be here.”

Beyond San Juan County’s borders, there is a lot of nail-biting and guessing over not only what will happen Saturday, but what it will mean in the long-term for the preservation of the canyon that is often referred to as a “mini Mesa Verde.”

Environmental groups, including the Durango-based Great Old Broads for Wilderness and the Southern Utah Wilderness Alliance, fear any encroachment of motorized users in the canyon. The Navajo Nation isn’t happy about ATVs rolling through the artifact-rich area where Navajos currently hunt, hold ceremonies, and gather wild roots, berries and medicinal herbs.

“I call it our grocery store,” said Willie Grayeyes, chairman of the Utah chapter of the Navajo Nation. “We don’t want it to be disturbed and invaded.”

Grayeyes is also upset about the coming protest because it caused the BLM to cancel another event in San Juan County for Wounded Warrior veterans that was slated for the same weekend.

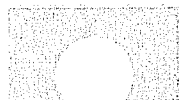
Eldredge said he will be patrolling Recapture Canyon on horseback the day of the protest to help keep the peace — not that he thinks it will be disturbed by more than the rumble of motors.

“We don’t expect any violence,” he said. “Bundy was calling for militias to come to his aid. Phil Lyman is not.”

But Eldredge admitted that he is going to be working to keep the peace in an angry and fed-up county.

“These people are tired of waiting for that canyon to be open,” he said. “They have had a gutful.”

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FILED
U.S. DISTRICT COURT

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2014 DEC -5 3:48
 DISTRICT OF UTAH
 BY: _____
 DEPUTY CLERK

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF UTAH, CENTRAL DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

PHILLIP KAY LYMAN,
MONTE JEROME WELLS,
SHANE MORRIS MARIAN, and
FRANKLIN TRENT HOLLIDAY,

Defendants.

SUPERSEDING
MISDEMEANOR INFORMATION

Case No.: 2:14-CR-00470 RJS

I. Conspiracy to Operate Off-Road Vehicles on
Public Lands Closed to Off-Road Vehicles (18
U.S.C. § 371)

II. Operation of Off-Road Vehicle on Public
Lands Closed to Off-Road Vehicles (43 U.S.C.
§§ 1701, 1733, 43 C.F.R. § 8341.1(c), and 18
U.S.C. § 2)

COUNT I

The Conspiracy and its Objects

1. From on or about February 27, 2014, and continuing until on or about May 10, 2014, in the Central Division of the District of Utah,

PHILLIP KAY LYMAN,
MONTE JEROME WELLS,
SHANE MORRIS MARIAN, and
FRANKLIN TRENT HOLLIDAY,

the defendants herein, together, did unlawfully, willfully, and knowingly combine, conspire, confederate and agree among themselves and with each other and with others known and unknown to operate off-road vehicles through land restricted to off-road vehicles and administered by the Bureau of Land Management, in violation of 43 U.S. C. §§ 1701, 1733, and 43 C.F.R. § 8341.1(c).

2. It was the plan and purpose of this conspiracy to unlawfully operate off-road vehicles through the restricted area, namely Recapture Canyon, as a means of expressing opposition to the Bureau of Land Management and its management of Recapture Canyon.

Manner and Means of the Conspiracy

3. It was part of the conspiracy that beginning on or about March 2, 2014, PHILLIP KAY LYMAN began advertising the proposed ATV ride through the restricted area of Recapture Canyon to occur on May 8, 2014 through social media.

4. It was further part of the conspiracy that on or about April 11, 2014, PHILLIP KAY LYMAN advertised the proposed ATV ride through the restricted area of Recapture Canyon to occur on May 8, 2014 by publishing an article in the Deseret News. PHILLIP KAY LYMAN then promoted that published article using social media.

5. It was further part of the conspiracy that on or about April 17, 2014, PHILLIP KAY LYMAN, using social media, began advertising a changed date of the proposed ATV ride through the off-road vehicle restricted area in Recapture Canyon from May 8, 2014 to May 10, 2014 to allow more people to participate.

6. It was further part of the conspiracy that on or about April 27, 2014, PHILLIP KAY LYMAN and MONTE JEROME WELLS published and promoted on various social media websites an invitation, with accompanying instructions, to the public to join the proposed ATV ride through the off-road vehicle restricted area in Recapture Canyon on May 10, 2014.

7. It was further part of the conspiracy that on or before May 5, 2014, PHILLIP KAY LYMAN and MONTE JEROME WELLS filmed a three-part video interview in which they discussed the nature, the origin, and plans of the proposed ATV ride through the off-road vehicle restricted area in Recapture Canyon.

8. It was further part of the conspiracy that on or about May 5, 2014, MONTE JEROME WELLS promoted the video interview between PHILLIP KAY LYMAN and MONTE JEROME WELLS on various social media websites advertising and promoting the proposed ATV ride through the off-road vehicle restricted area in Recapture Canyon.

9. It was further part of the conspiracy that on or about the morning of May 10, 2014, PHILLIP KAY LYMAN spoke to a large gathering of people at a meeting held in Blanding, Utah before the proposed ATV ride, instructing and encouraging the

group regarding the proposed ATV ride through the off-road vehicle restricted area in Recapture Canyon.

Overt Act in Furtherance of the Conspiracy

In furtherance of the conspiracy alleged above and to effect the object thereof, the following overt acts, among others, were committed in the Central Division of the District of Utah:

10. On or about May 10, 2014, PHILLIP KAY LYMAN knowingly and willfully operated an off-road vehicle through the off-road vehicle restricted area of Recapture Canyon.

11. On or about May 10, 2014, MONTE JEROME WELLS knowingly and willfully operated an off-road vehicle through the off-road vehicle restricted area of Recapture Canyon.

12. On or about May 10, 2014, SHANE MORRIS MARIAN knowingly and willfully operated an off-road vehicle through the off-road vehicle restricted area of Recapture Canyon.

13. On or about May 10, 2014, FRANKLIN TRENT HOLLIDAY knowingly and willfully operated an off-road vehicle through the off-road vehicle restricted area of Recapture Canyon.

All in violation of 18 U.S.C. § 371.

COUNT II

14. On or about May 10, 2014, in the Central Division of the District of Utah,


PHILLIP KAY LYMAN,
MONTE JEROME WELLS,

SHANE MORRIS MARIAN, and
FRANKLIN TRENT HOLLIDAY,

the defendants herein, each knowingly and willfully operated an off-road vehicle through land closed to off-road vehicles and administered by the Bureau of Land Management, and did aid and abet each other therein, all in violation of 43 U.S.C. §§ 1701, 1733, 43 C.F.R. § 8341.1(c), and 18 U.S.C. § 2.

DATED this 5 day of December, 2014.

CARLIE CHRISTENSEN
Acting United States Attorney



LAKE DISHMAN
Assistant United States Attorney

APRIL 2014

BUNDY RANCH STANDOFF
BUNKERVILLE, NEVADA

INDICTMENT – MARCH 2016

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**UNITED STATES DISTRICT COURT
DISTRICT OF IDAHO**

UNITED STATES OF AMERICA,)
)
 Plaintiff,) Case No. 16-ms-08428-CWD
)
 v.) **GOVERNMENT’S MEMORANDUM IN**
) **SUPPORT OF PRETRIAL DETENTION**
 ERIC J. PARKER,)
)
 Defendant.)
)
 _____)

The United States, by and through undersigned counsel, respectfully submits this Memorandum in Support of its Motion for Pretrial Detention pursuant to The Bail Reform Act, Title 18, United States Code, Section 3142. As explained herein, the government seeks the continued pretrial detention of defendant Eric J. Parker (“Parker”) both as a risk of non-appearance and as a danger to the safety of others and the community.

Parker was a gunman/sniper in an unprecedented and extremely violent and massive armed assault on federal officers that occurred on April 12, 2014, while those officers were performing their duties as part of a court-ordered cattle impoundment operation. But for the courage of the victim officers to back away from their assaulters and abandon the cattle, the actions of Parker and his co-conspirators would have resulted in catastrophic death or injury to the officers and others. The fact that no one was shot, however, does not mitigate either the level of violence used that day or the intent behind it.



Parker was there because he answered a “call-to-arms” from his co-defendant, Cliven Bundy, to come to Nevada to forcibly stop federal law enforcement officers from the executing court orders to impound his cattle. In response to the call, Parker knowingly traveled from Idaho to Nevada with firearms and ammunition and the intent to use them against those law enforcement officers.

Knowingly joining Bundy's conspiracy, Parker's actions on April 12 betrayed his desire and willingness to kill cops. This alone compels the conclusion that Parker is a grave danger to the community and a flight risk. However, subsequent to April 12, Parker has openly embraced his notoriety of being "the man on the bridge" (i.e., the one aiming his assault rifle at cops) and has continued, along with his co-defendants, to advocate "matching force" with the federal government.

Parker is currently charged with crimes of violence including assault on a federal law enforcement officer, extortion by force and violence and using and brandishing firearms in connection with crimes of violence under Title 18, United States Code, Section 924(c). As such, the Bail Reform Act presumes that there are no conditions or combination of conditions that will ensure the safety of the community. Here, no evidence has been adduced during the investigation of the instant charges that rebuts that presumption. In fact, all the evidence suggests that Parker will continue to be a threat to law enforcement officers, will not abide by court orders, and will use threats of violence and violence to ensure that federal laws are not enforced as to him and others.

I. FACTS

On March 2, 2016, a federal grand jury seated in the District of Nevada returned a Superseding Criminal Indictment, charging Parker and 18 other defendants with, among other things, conspiring to assault federal officers, obstruct justice, extort federal officers and use and brandish a firearm in relation to a crime of violence, and the substantive offenses that comprise the objects of the conspiracy, all in violation of Title 18, United States Code, Sections 371; 372 111(a)(1) and (b); 1503; 1951; and 924(c).

Parker was arrested on the instant charges on March 3, 2016 pursuant to an arrest warrant issued from the Superseding Indictment. Based on the evidence adduced from its investigation to date, the government proffers the following in support of its motion for pretrial detention:

A. Background

Parker, 32, resides in Hailey, Idaho, where he is married with two children. Although previously employed as an electrician, his current employment is unknown. But, as discussed below, since 2014 he spends significant time traveling the county “matching force” with the federal government. His criminal history is unremarkable but for two misdemeanor convictions. Evidence indicates that Parker usually carries firearms on his person and in his truck.

Co-defendant, Cliven Bundy (“Bundy”), 69, is a long-time resident of Bunkerville, Nevada, living on 160 acres of land in a very rural and sparsely-populated area of the state. Bundy Ranch, as he refers to the property, is located near the Virgin River a few miles from where Interstate 15 crosses from Nevada into Arizona, approximately 90 miles northeast of Las Vegas, Nevada. Bundy Ranch is surrounded by hundreds of thousands of acres of federal public lands commonly referred to as the Gold Butte area or the Bunkerville Allotment. Bundy uses that entire range of land to graze his cattle unlawfully.

While Bundy claims he is a cattle rancher, his ranching operation – to the extent it can be called that – is unconventional if not bizarre. Rather than manage and control his cattle, he lets them run wild on the public lands with little, if any, human interaction until such time when he traps them and hauls them off to be sold or slaughtered for his own consumption. He does not vaccinate or treat his cattle for disease; does not employ cowboys to control and herd them; does not manage or control breeding; has no knowledge of where all the cattle are located at any given time; rarely brands them before he captures them; and has to bait them into traps in order to gather them.

Nor does he bring his cattle off the public lands in the off-season to feed them when the already sparse food supply in the desert is even scarcer. Raised in the wild, Bundy's cattle are left to fend for themselves year-round, fighting off predators and scrounging for the meager amounts of food and water available in the difficult and arid terrain that comprises the public lands in that area of the country. Bereft of human interaction, his cattle that manage to survive are wild, mean and ornery. At the time of the events giving rise to the charges, Bundy's cattle numbered over 1,000 head, straying as far as 50 miles from his ranch and into the Lake Mead National Recreation Area ("LMNRA"), getting stuck in mud, wandering onto golf courses, straying onto the freeway – foraging aimlessly and wildly, roaming in small groups over hundreds of thousands of acres of federal lands that exist for the use of the general public for many other types of commercial and recreational uses such as camping, hunting, and hiking.

Bundy claims he has strong anti-federal government views, proclaiming that the federal government cannot own land under the U.S. Constitution. These are not principled views – and certainly they have no merit legally – but nonetheless serve conveniently as a way for Bundy to somehow try to convince others that he has some reason for acting lawlessly, other than the obvious one: it serves his own ends and benefits him financially. Untethering himself from the law, Bundy claims he can do with his cattle as he pleases, including not incurring the expenses to manage or control them and not paying for the forage they consume at the expense of federal taxpayers.

Federal law requires any rancher to pay fees and obtain grazing permits to run cattle on public lands. The evidence suggests that before 1993, Bundy paid fees and kept current the permit his father before him had acquired for grazing cattle on the Bunkerville Allotment. In 1993, however, when BLM restricted both the number of head he could graze and the seasons during which he could graze them, Bundy was faced with the prospect of having to control his

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herd and bring them off the land during the off-season. It was then that Bundy claimed that he supposedly “fired the BLM” and refused, from then until to the present, to pay any grazing fees or submit to permits.

It appears that Bundy made some attempt to fight the 1993 restrictions administratively but to no avail. But despite losing, he continued in his scofflaw ways, ignoring BLM regulations and restrictions pertaining to his use of the public lands, allowing his cattle to run wild and refusing to pay for the forage he leached off the taxpayers.

Ultimately, the BLM sued him in 1998 for trespass, the case being filed in the United States District Court for the District of Nevada before then-United States District Judge Johnny Rawlinson. Bundy lost the case and Judge Rawlinson issued an order requiring Bundy to remove his cattle permanently from the Bunkerville Allotment (hereinafter “the 1998 Order”). Making the same failed claims he continues to make to this day – the federal government cannot own the land – Bundy appealed the 1998 Order to the Ninth Circuit but lost there also.

Undeterred, Bundy simply ignored the 1998 Order, running his cattle as he always had, violating the 1998 Order just as he had all the other rules and regulations governing public lands. In 1999, Judge Rawlinson issued another order, re-affirming the 1998 Order and fining Bundy for each day he refused to remove his cattle. He ignored that Order just as he had the previous one.

Thereafter, other attempts were made to remove or have Bundy remove his cattle, all to no avail. The BLM went back to Court in 2012, filing a new lawsuit against Bundy to remove his cattle from the LMNRA and also filing a motion to renew the 1998 Order pertaining to the Bunkerville Allotment.

United States District Judge Lloyd George presided over the 2012 action. As he had before, Bundy claimed that the federal government could not own the land. However, in keeping

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with well-established legal precedent, Judge George – like every other previous court – rejected Bundy’s claims in a July 2013 Order and required Bundy to permanently remove his cattle from the LMNRA within 45 days.

The motion in the 1998 action went before United States District Judge Larry Hicks. Like Judge George, Judge Hicks rejected Bundy’s claims in an October 2013 Order, re-affirming the 1998 Order and requiring Bundy to remove his cattle from the Bunkerville Allotment within 45 days. The Orders from Judge George and Judge Hicks each authorized the BLM to remove and impound the cattle if Bundy refused to do so, Judge Hicks expressly ordering Bundy not to physically interfere with any seizure or impoundment operation conducted by the BLM.

As before, Bundy refused to remove his cattle. Thus, the 2013 Orders in hand, the BLM commenced impoundment operations beginning around April 5, 2014. From the outset, Bundy interfered. The Superseding Indictment details Bundy’s numerous threats to “do whatever it takes” to prevent the BLM from impounding his cattle and the escalating violence and threats of violence he used to impede and disrupt the impoundment, including blocking convoys, assaulting law enforcement officers and terrorizing civilian employees.

Most nefariously – and perhaps most relevant to the detention decision here – Bundy recruited gunmen to come to Nevada to confront the federal officers, issuing calls-to-arms over the internet to anyone who would listen to come to Bundy Ranch to confront the officers who were executing the federal court orders to impound the cattle.

Parker answered that call. He traveled to Nevada with firearms and with the intent to use them against federal law enforcement officers. There is no evidence that he won’t answer the call again.

B. The April 12, 2014, Armed Assault

By April 12 hundreds of people, including gunmen, had answered Bundy's calls-to-arms against the BLM. As the gunmen arrived, Bundy and his co-conspirators organized them into so-called "militia camps," deploying them from there into armed security checkpoints and patrols.

On April 12, Bundy rallied his Followers and commanded them to take his cattle back, unleashing over 400 Followers, including at least 60 of them armed, to converge on and assault the BLM's impoundment site, demanding the release of the impounded cattle corralled there. The Superseding Indictment sets out the nature of the assault that day. While the government does not intend to repeat those allegations here, it incorporates them by reference and further proffers as follows.

- **The April 12 assault was an extremely violent act.**

As the Court knows, it is a violation of federal law to use a firearm to assault, interfere with or intimidate a federal law enforcement officer. And contrary to the fiction incanted by Bundy and his Followers to stir up support and pollute the minds of children, there is no First or Second Amendment right, or other right recognized in the law anywhere, that gives anyone the right to use or carry, let alone brandish, raise or point, a firearm in order to assault, intimidate, interfere with or prevent a federal law enforcement officer from performing his or her duties – whether one thinks the officer is acting constitutionally or not. While that should be obvious to any law abiding citizen, Bundy and his Followers, including Parker, espouse to the contrary.

On April 12, Bundy had mustered more than 60 firearms to assault and intimidate federal law enforcement officers while they were performing their duties. The evidence shows that officers confronted an angry array of more than 270 Followers directly in front of them, their formation being backed up by gunmen brandishing or carrying rifles and firearms among the

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unarmed Followers, or perched on high ground in over-watch positions, or in concealed sniper positions aiming their assault rifles from bridges. The officers guarding the gate that day, almost to a person, thought either they, or unarmed civilians in front of them, or both, were going to be killed or wounded. Many of these officers, some of them combat veterans, remain profoundly affected emotionally by this event to this day. Witnesses have described the level of violence as so intense that something as innocent as the backfire of vehicle, or someone lighting a firecracker, would have set off a firefight between the gunmen and the law enforcement officers.

The Superseding Indictment charges, and the investigation shows, that Bundy was responsible for recruiting gunmen, including Parker. Bundy and his co-conspirators did so by issuing numerous calls to arms, inciting and soliciting others to bring weapons to Bundy Ranch, to show force, to make the BLM back down, to surrender, and other similar exhortations. The justification, according to Bundy and his followers: BLM was acting unconstitutionally in impounding his cattle. In other words, BLM was enforcing the law and Bundy didn't like it – so he organized an armed assault.

- **Bundy, his co-conspirators and Followers have pledged to do it again.**

The evidence shows that this was an unprecedented act. The gunmen traveled great distances in a short period of time, Parker being only one example among many, answering the call to arms, coming from more than ten states to get to Bundy Ranch to confront the BLM, flooding into the Ranch between April 10 and the morning of April 12. The evidence shows that when the gunmen arrived, the conspirators organized them into camps, armed patrols, and security check points.

The evidence shows that Bundy rallied and directed his Followers to get his cattle out of the impoundment site on the morning of April 12. Bundy's son, Ammon, led the assault on one of the entrances to the site. Indicative of his intent that day was his statement to another person

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as he was drove his truck to the impoundment site: “These federal agencies have a lot of power and they are not just going to give that power up. The people just have to take it, I guess.”

In the immediate aftermath of the assault and extortion, after having delivered the extortionate demands to the SAC and coercing the officers into leaving by threatening violence, Ammon Bundy was asked whether BLM was gone for good. Ammon responded: “They better be or the people will do it again.”

In an interview later in the evening on April 12, Ammon Bundy stated:

We the people expressed our power and as a result the Sheriff took control of his county. The Sheriff must protect the agency of man. The people have the power -- it's designed that way -- you have the people and then you have the Sheriff. Sovereign citizens on our own land.

Many of these same gunmen who conspired with Bundy and his son to assault the impoundment remain at large and, through Facebook posting and other social media outlets, have pledged to support Bundy again if BLM takes any action against him.

C. Post-Assault: April 13 and thereafter

Immediately after the assault, Bundy and his co-conspirators openly celebrated their use of force, showing the world that not only did they lack remorse for their violent criminal acts – they were proud of them. In an interview posted to the Pete Santilli Show's YouTube channel on or about April 16, 2014, Cliven Bundy was interviewed by an individual named Peter Rense. When asked whether the BLM still had officers in the area, Bundy stated, “We the people and the militia definitely rid this place of any of that kind of influence.” *See* <https://www.youtube.com/watch?v=dI-3qYTMGgU> (last visited February 11, 2016). In the same interview, Bundy expressed dismay that the BLM was allowed to leave with their weapons on April 12: “we haven't won the war, we've just won one chapter of it.” *Id.* Bundy's

characterization of the assault as part of a larger “war” makes clear that his efforts to thwart and interfere with BLM law enforcement officers would carry on.

To that end, Bundy relied on armed individuals who continued to travel to Bundy Ranch in the months after the assault. Camping in and around what the Bundys designated as “militia camps,” these gunmen engaged in reconnaissance missions, manned check points on public roads, and conducted armed patrols of the area around Bundy Ranch to ensure BLM officers were not present and would not return. Bundy and his conspirators established a firing range on public land which his lead bodyguard used to train other gunmen to protect Bundy and his ill-gotten gains.

On April 17, 2014, a local Channel 8 news reported on the continued armed presence in the area and stated that “Armed protesters continue to surround the Bundy ranch and are even blocking a county road. Some of the supporters attempted Thursday to keep a Channel 8 news crew from entering the area, despite it being a public road. . . . The armed men say they’ll be at the site for weeks to come to defend the Bundy family.” The news segment included footage of a Bundy guard blocking access to a public road.

Organized patrols of the public lands continued all through the summer into the fall of 2014. Additionally, evidence shows that telephone lines with roster information were set up, donation pages on the internet continued to be utilized to solicit funds, and gunmen traveled back and forth from other states to do duty at the Ranch. The purpose of these missions was to ensure Cliven Bundy was not arrested and that BLM did not return to the public lands either to impound the cattle or for any other purpose.

D. Parker’s Role in the Conspiracy

Parker was a gunman/sniper in the conspiracy. Starting on April 8, 2014, Parker began to post messages on Facebook regarding the BLM’s impoundment operation in Nevada: “Got a
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neighbor in some trouble down in Nevada...What are you going to do when the shooting starts....” On April 11, Parker posted a link on his Facebook page to the article, “Armed Militias Head To Nevada Ranch As Populist Showdown With Federal Government Teeters On.” Parker claims that he decided travel to Nevada after seeing an online video of a federal law enforcement officer tazing co-defendant Ammon Bundy.

Parker and co-defendants Scott Drexler and Steven Stewart left Idaho on April 11 and drove 10 hours straight through to Bundy Ranch, bringing with them assault rifles, handguns, and ammunition. On April 11 at 9:11 pm, Parker updated his Facebook status with the message: “I’m seeing lots of reports of the cell tower being disable...If this is true they could be trying to stop video getting out... I’m about two hours out and not sure what to expect? Anyone seen any posts from the actual ranch or people at the camp?”

Parker and his group arrived at Bundy Ranch at approximately 2:00 a.m. on April 12. One of the Bundys eventually greeted them and asked if they wanted to camp in the “militia” camp or with the protestors. The “militia” camp was the designated area for gunmen. Parker chose to be a gunman and picked the “militia” camp. Parker, Drexler, and Stewart then went on patrol for two hours.

Later on the morning of April 12, and for the purpose of thwarting the impoundment, Bundy organized and led over 400 Followers to assault the law enforcement officers as they guarded the Impoundment Site, all for the purpose of getting his cattle back. Parker provided security at the rally before heading to the Impoundment Site to get Bundy’s cattle.



After the rally, Parker followed Bundy's order to get his cattle from the officers. On April 12 at 11:24 a.m., Parker updated his Facebook status with the following: "Bundy gave the sheriff 1 hour to disarm the BLM...he did not reply. We are now going to free the cattle by any means. The sheriff claimed that the blm is standing down but offered no proof this is when Mr. Bundy gave him the 'do it or else.' We will not be lied to."

The evidence shows that as Bundy's Followers in the wash lined up to assault the gate, Parker, and co-defendants Drexler, Stewart, Todd Engel, Richard Lovelein and other gunman took positions on the Interstate 15 bridge overlooking the officers at the gate, brandishing their assault rifles at federal officers. As Bundy's Followers assaulted the gate in the wash below, Parker took a prone sniper position behind a jersey barrier aiming his assault rifle at federal law enforcement officers, ready to fire on the agents.



Many of these same gunmen who conspired with Bundy and his son to assault the impoundment remain at large and, through Facebook posting and other social media outlets, they have pledged to support Bundy again if law enforcement takes any action against him.

E. Post-Assault Conduct by Parker

Immediately after the assault, Parker openly celebrated his role in assaulting and extorting the officers, stating the following to a local reporter:

Reporter: Can you tell me who you are and why are you down here real quick?

Parker: My name is Eric and we came down here from Idaho

Reporter: Are you part of one of the militia groups?

Parker: Nah, just independent, a county civil defense unit.

Reporter: What does this victory for the Bundys mean you think?

Parker: I think it means a lot but it needs to keep happening. We need to keep matching a show of force. There is a rancher in Texas right now under threat from the BLM 90,000 acres on the Red River their trying to take from him right now. If you're in Texas right now, go there, get on a bridge, show um force.

Reporter: We saw some younger people down there, looked like they might have been children. Do you think that was wise to have those kids down there, do you think could have turned dangerous?

Parker: That might have been the only thing that kept them from getting gassed. They threatened to shoot chemicals into that crowd.

Reporter: Do you think it was good to have the kids down there?

Parker: Absolutely!

Reporter: Do you think this could have potentially turned violent?

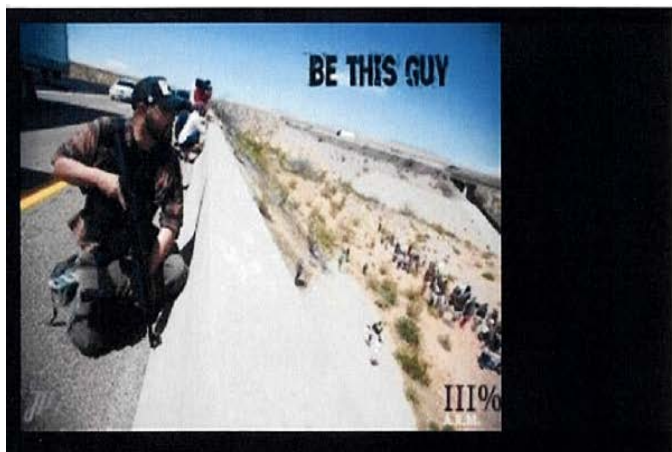
Parker: Absolutely!



Later in the day, Parker responded to a Facebook message asking for any news: “its over we won....” On April 13, in response to a Reuters report that a gunman on the bridge named Scott had stated “I’m ready to pull the trigger if fired upon,” Parker posted on Drexler’s Facebook page, “I’m ready to pull the trigger if fired upon!” Whoever made that quote must have been a bad ass.”

After April 12, pictures and videos of Parker aiming his assault rifle at law enforcement went viral both in mainstream media and within the so-called “patriot” community. Parker embraced his new found fame and became one of the most infamous non-Bundys who participated in the assault and extortion.

Parker has continuously referenced Bundy Ranch on his Facebook page and routinely changes his profile picture to pictures of himself brandishing and pointing his assault rifle at law enforcement on April 12, 2014. Below is a picture that Parker commented on within Facebook. The picture, which was posted to numerous websites in the days following the April 12 assault, shows Parker in a sniper position with the words “BE THIS GUY” and “III%”. Parker made the following comment on April 15: “Not sure what to say... if it empowers people it’s awesome. . .Hopefully they don’t come put a bag over my head...”



On April 19, 2014, Parker posted onto Facebook an article entitled, “this Incredible New Footage Shows how Close Bundy Standoff Came to a Massacre.” On April 21, 2014, a person posted the following question on Parker’s Facebook timeline, “Not to sound like a groupie. Are you the MF’er on the bridge?” Parker responded, “It was me.”

On October 31, 2014, Parker posted this picture on Facebook:



On March 10, 2015, Parker posted this picture and stated that it was “his favorite one:”

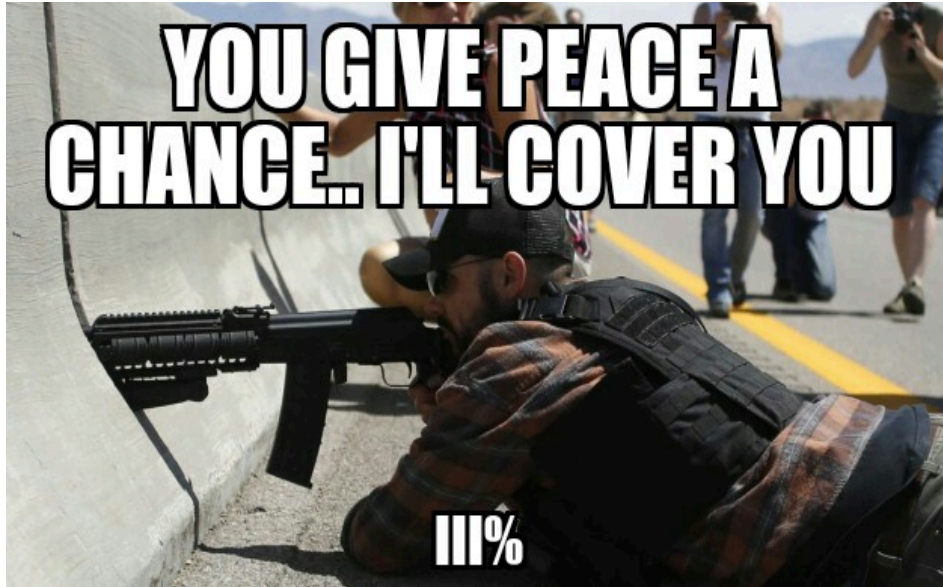


On April 11, 2015, Parker posted the following on Facebook in reference to Bundy Ranch:

About one year ago, We woke up in the desert and made bacon bagel sandwich's for breakfast after arriving at about 2am we took watch on the gate from 2 till 4am our only interaction with the Militia was that morning at the HQ tent we were told we would escort the Bundies to the stage and keep an eye on the crowd

After that the real patriots went and go the cows back while others stayed at the safety of the stage.

On June 11, 2015, Parker posted this picture:



On October 8, 2015 Parker posted this picture:



On February 2, 2016, Parker posted this picture celebrating the assault and extortion of April 12, 2014:



Parker has an unbreakable bond with his co-conspirators that carries on to this day. On February 11, 2015, after co-defendant Cliven Bundy was arrested, Parker took to Facebook and posted: "Okay now I'm pissed. They have Cliven." Parker later reposted the following that Steven Stewart stated on Parker's timeline: "Cool calm and collected boys... Be smart. They will use your words against you."

Following his violent conduct at Bundy Ranch, PARKER became one of the founders of the Idaho III% and is currently the group's Vice-President. The III% motto is "When Tyranny Becomes Law, Rebellion Becomes Duty!"

In April 2015, a year after the assault and extortion at Bundy Ranch, a dispute arose between the BLM and miners in Grants Pass, Oregon at the Sugar Pine Mine. The miners requested outside assistance, to which Idaho III% and various Bundy Ranch veterans, including Parker responded, hoping for another Bundy Ranch. The government avoided the miners and armed occupants to prevent the creation of another Bundy Ranch.

On April 24, 2015, Parker posted to Facebook entitled "Rally for Sugar Pine Mine Remains Peaceful but BLM Closed Office as Safety Precautions." Parker then commented: GOVERNMENT'S MEMORANDUM IN SUPPORT OF PRETRIAL DETENTION - 19

“Been here for two weeks helping the community learn how to mount an effective resistance. First Amendment hand in hand with the second.” On April 30, 2015, Parker posted to Facebook the following: “Get to Grant Pass anyone and everyone.. go! Not a drill breaching the mine now.”

In August 2015, Parker participated in what he and others referred to as “Operation Big Sky,” which was an event where III% members and others traveled to Lincoln, Montana, with firearms to intimidate the U.S. Forest Service (USFS) to cease regulation of White Hope Mine, a small mining operation. At the miner’s request, Parker and others traveled to Lincoln and established an armed checkpoint on public land leading to the mine. They also maintained a military style security operation at the mine site and served a “Notice of No Trespass” on USFS, threatening to arrest USFS employees and contractors if they set foot on the public land upon which the site sits. They claimed that “the immediate aim of this operation is to act as a buffer between the miners and any unlawful action by the USFS.”

On August 4, 2015, Parker posted the following on his Facebook page in reference to the Operation Big Sky:

“Well apparently they want to keep doing this. So... what’s the answer to the slow boil? ... We are currently ramping up this operation with the OathKeepers and Montana III%. Our goal...hold the mine until such time as the owner receives his right to due process.... Show the community how to erect an effective resistance to over stepping bureaucracies and their self-perceived authority. **WE THE PEOPLE WILL NOT BE TERRORIZED. WE WILL STAND TOGETHER WITH OUR NEIGHBORS. WE WILL DEFEND EACH OTHER.**

On August 24, 2015, co-defendant Blaine Cooper posted the following picture of Parker on his Facebook page from the Montana Operation.



Cooper also uploaded a video onto the internet discussing the operation. Below is a screen shot showing Parker, Cooper, and Drexler in Montana.



In September 2015, Arizona rancher Lavoy Finicum, who participated in the assault and extortion on April 12, 2014, as well as in the 2016 Oregon occupation discussed below, uploaded videos of himself where he recounts his fight with the BLM over his refusal to pay grazing fees.

On September 8, 2015, Parker made the following posting on Facebook in response to the Finicum's situation:

I stand with the 9th and 10th amendment and if we all have to die to prove that point then God help me.. so be it. Rumor is it will be the FBI this time running the operations instead of [the SAC] from the BLM. They want to make sure that we can't claim lack of authority.

If you think you can terrorize my countrymen then you will have to shoot me on a bridge and I will not die easy We all have to die someday and if we have to die we do it defending our rights.

Organize to defend and when that time comes stand and sing your death song loud brother. III%

Parker later commented on his post stating, "If it pops off the Patriot railroad will be activated and volunteers and donations will be moved across the country."

In December 2015, Parker posted several comments to his Facebook denouncing as unconstitutional the arrest of Schuyler Barbeau for possessing an unregistered firearm. *See United States v. Barbeau*, CR-15-00391-RAJ, United States District Court for the Western District of Washington. Barbeau participated in assault and extortion on April 12. Parker and others interpreted Barbeau's arrest as a "payback" for Bundy Ranch.

On December 7, 2015, Parker posted the following on his Facebook page: "ALERT PATRIOT KIDNAPPED BY FBI AND US MARSHALS ... He (Barbeau) helped stand down the BLM at Bundy Ranch, the BLM Mine in Oregon, the USFS at the Mine in Montana ..."

On December 11, 2015, Parker posted on Facebook a link to an Idaho III% recruitment video entitled "3% of Idaho an Overview" The video prominently features Parker and includes pictures of him assaulting law enforcement officers on April 12, 2014.

https://www.youtube.com/watch?v=ReSuy_nNX_Q&feature=youtu.be

From January 2, 2016 through February 11, 2016, numerous individuals, including Parker's co-defendants, Ammon and Dave Bundy, Ryan Payne, Peter Santilli, Brian Cavalier, Blaine Cooper and Joseph O'Shaughnessy conducted an armed occupation of the Malheur National Wildlife Refuge MNWR, which is owned and managed by the federal government. In the lead-up to the armed occupation, Parker and others advocated that Oregon ranchers Dwight and Steven Hammond should not turn themselves in to serve a federal prison sentence. On October 7, 2015, Dwight and Steven Hammond were re-sentenced to serve a mandatory, five-year term of imprisonment and were given a self-surrender date of January 4, 2016. On December 30, 2015, Parker posted the following on Facebook, "Let's go folks!! I know it's a long way to travel for an event but let's show the Hammonds they don't have to turn themselves in. Maybe they see the support and decide not to." Parker recently stated that he and the Idaho III% wanted to "put our security team on [Dwight Hammond's] property and not let them take him." See Jason Arment, "Interview with Eric Parker, Part II" (February 29, 2016)

<http://thebigsmoke.com/2016/02/29/interview-with-eric-parker-part-ii-the-bird-sanctuary/>

Parker and other Idaho III% members traveled to Burns, Oregon, and participated in a January 2, 2016 protest rally in support of the Hammonds. After the rally, Ammon Bundy, Ryan Payne and others took over the MNWR, proclaiming that it did not belong to the federal government.

On January 7, 2016, the Idaho III% and other militia groups, operating under the Pacific Patriot Network (PPN), issued a press release setting forth "an Immediate Call to Action to secure a perimeter around the Wildlife Refuge, its occupiers, and the citizens of Harney County." The release claimed the purpose of the call to action was "to stand to bear witness and prevent

any escalation or hostile action from either side. In the event of inappropriate action, A-Teams will respond accordingly.”

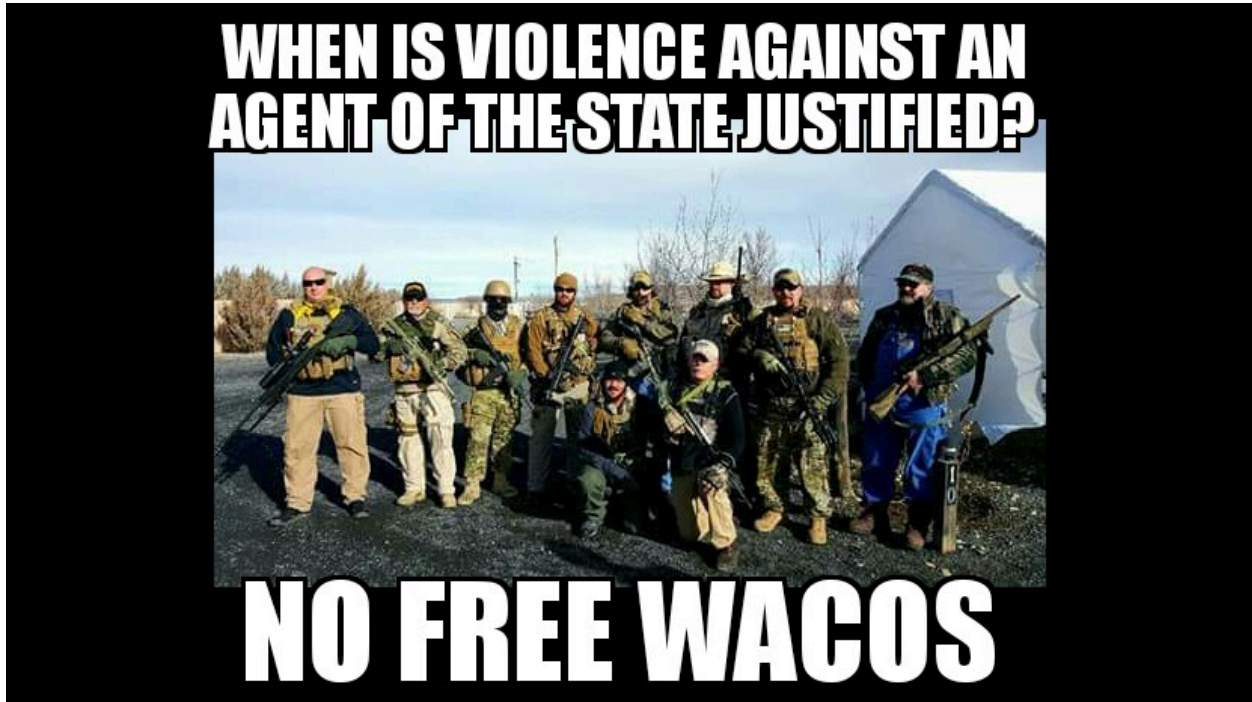
Many III% members, including Parker and his president, as well as other militia groups, returned to Oregon under the umbrella of the PPN. On January 9, numerous people, including Parker in his leadership role, answered the call and showed up at the MNWR heavily armed wearing military style tactical clothing. The PNN and III% leadership claimed that they would set up a “Perimeter of Protection” around the MNWR. Parker’s image is captured in the below picture on January 9 outside of the MNWR.



A man stands guard after members of the "3% of Idaho" group and several other organizations arrive at the Malheur National Wildlife Refuge on Saturday, Jan. 9. Rick Bowmer / AP

PPN and Idaho III% leadership also delivered proposed “Articles of Resolution” to the FBI that they purported would end the occupation. The terms were that the federal government acknowledge that it was not permitted to own the MNWR under the Constitution, transfer the MNWR to the local county, and open a criminal investigation of the Oregon United States Attorney’s Office. These supposed “demands” were similar to same exhortations used at Bundy Ranch. In short, the federal government must leave if it wants to avoid an armed confrontation.

On January 24, 2016, Parker posted the following picture onto Facebook, depicting several people who answered the call-to-arms in Oregon with the comment, “where will you be when it all goes hot? Metaphorical (sic) question of course....”



Also on January 24, 2016, Parker posted the following on Facebook regarding the MNWR occupation: “If it goes hot they will stop people in route at that time you have a choice to make. Rights only exist if you draw a line that you are willing to die on.”

On January 31, 2016, Oregon State Police observed Parker’s truck parked at a local hotel. An officer observed what appeared to be an AK style rifle resting barrel down in plain sight inside the truck.

Parker has also made numerous statements advocating use of force and violence against law enforcement. On July 11, 2015, Parker posted the following picture on Facebook:



On January 29, 2016, Parker posted the following on Facebook:



On February 17, 2016, he posted the following:



Parker further stated: "if they pull my card these will be available for sale." Parker's brother commented: "Your son is too young to pick up your sword brother if you fall. I will have blood for blood."

On September 24, 2015, Parker posted the following on Facebook:

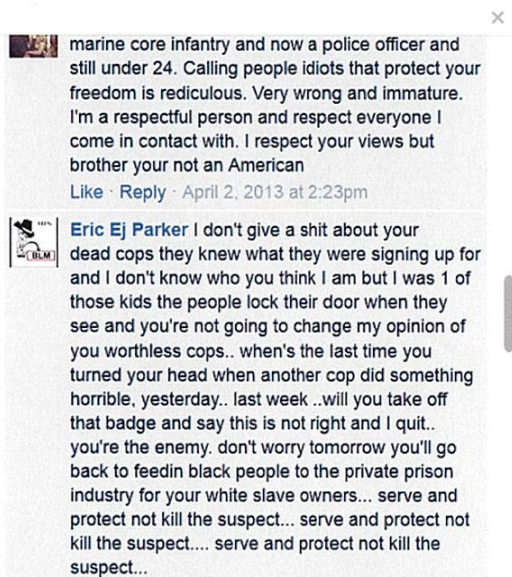
I have the right to oppose an illegal arrest all the way up to the point of defending my life.... Y'all think by being deputized it will make a difference. False. If you threaten to kidnap a citizen.. illegally detain US citizen ... murder a citizen for not complying to your unconstitutional demands that citizens should defend his life the same he would have any kidnap situation. If you mount up dress up like war enter a situation with your perceived authority demand compliance or death drawn down on me I will defend myself so help me God I will defend others III%

On December 14, 2015, Parker posted the following on Facebook:

People are pissed off, I hope the FBI understand there is a wave of anger building and it's being held back by people who don't want to see the administration get their way. Violence civil unrest Civil War these things vindicate what they are saying about us. Puts them in the right and then they drop the hammer.

I guess what I'm saying is when you take political prisoners and allude to charges of domestic terrorism for use of the First Amendment well we can't hold that wave back forever.

On August 12, 2014, Parker posted the following message on Facebook:



Most recently, Parker stated the following:

[T]here are things that need to be done right now. Some people have likened it to a cold war for the Bill of Rights, for the Declaration of Independence, and for the Constitution. And the things that need to be done right now is getting involved and making a stand. Finding those situations where people are in the right, with their property rights, and the Constitution is legitimately being violated, and making a hard stand.

“Interview with Eric Parker, Part II” (February 29, 2016)

<http://thebigsmoke.com/2016/02/29/interview-with-eric-parker-part-ii-the-bird-sanctuary/>

II. ARGUMENT

The Bail Reform Act provides that a judicial officer shall detain a defendant pending trial where “no conditions or combination of conditions will reasonably assure the appearance of the person as required and the safety of any other person and the community.” 18 U.S.C. § 3142(e). Detention is appropriate where a defendant poses either a danger to the community or a risk of non-appearance and it is not necessary to prove both. *See United States v. Motamedi*, 767 F.2d 1403, 1406 (9th Cir. 1985). The Government must establish by clear and convincing evidence

that the defendant presents a danger to the community and by a preponderance of the evidence that the defendant is a risk of non-appearance. *Id.*

In determining whether pretrial detention is appropriate, Section 3142 provides four factors for the Court to consider: (1) the nature and circumstances of the offense charged, including whether the offense charged is a crime of violence; (2) the weight of the evidence against the defendant; (3) the history and characteristics of the defendant; and (4) the nature and seriousness of the danger posed by the defendant's release. *United States v. Townsend*, 897 F.2d 989, 994 (9th Cir. 1990); 18 U.S.C. § 3142(g).

Where, as here, there is probable cause to believe that the defendant has committed an offense under Title 18, United States Code, Section 924(c), the court shall presume, subject to rebuttal, that no condition or combination of conditions will reasonably assure the appearance of the person as required and the safety of the community. 18 U.S.C. § 3142(e)(3)(B).

At the detention hearing, the Court may properly rely upon a proffer by counsel in determining a defendant's danger to the community or risk of flight. *See United States v. Winsor*, 785 F.2d 755, 756 (9th Cir. 1986) (“[T]he government may proceed in a detention hearing by proffer or hearsay.”).

A. The Offenses Charged Are Based on the Defendant's Violent Assault on Federal Law Enforcement Officers

Crimes of violence for purposes of the Bail Reform Act include any offense that has as “an element of the offense the use, attempted use, or threatened use of physical force against the person or property of another,” and is a felony that “by its nature, involves a substantial risk that physical force against the person or property of another may be used in the course of committing the offense.” *See* 18 U.S.C. § 3156(a)(4)(A). Here, eight of the Counts contained in the Superseding Indictment against Parker are crimes of violence: assault on a federal officer with a

firearm and deadly weapon; threatening federal law enforcement officers; extortion by force and violence; conspiracy to impede and injure a federal officer; and Section 924(c) counts as to each.

Parker forced federal law enforcement officers to abandon their duties at gunpoint. He believes his lawless act was justified then and he believes it's justified now. As shown above, he says he would do it again and that he, and others, have some twisted right to supposedly "protect" themselves from law enforcement actions including their own arrest for the crimes they committed.

Parker has shown he is violent and lawless. As such, he presents a danger to the law enforcement community and, for that matter, anyone who seeks to enforce laws against Parker that Parker believes are "tyrannical." In Parker's mind, only Parker is the judge what laws apply to him and should the court release him, only Parker will decide when and where those laws will be enforced.

Thus, there are no conditions or combination of conditions that any federal court could impose to protect the community from his lawlessness, whether that community is comprised of the citizens using the public lands or federal law enforcement officers and civilian employees attempting to manage the resources and enforce the laws. All are subject to Parker's whim and his proclivity to use force and violence to make his point.

B. Substantial Evidence Exists Establishing the Defendant's Guilt

In the immediate aftermath of the April 12 assault, federal law enforcement officers were forced to abandon the impoundment site, precluding them from conducting an immediate investigation. Out of safety concerns and the need to deescalate the violence and restore order, the remaining local law enforcement officers – who themselves were outnumbered by Bundy's Followers – allowed the gunmen and the conspirators simply to leave the site without making

any arrests, conducting any interviews, taking any statements, or obtaining any identification of the gunmen and other assaulters.

Absent contemporaneous arrests and identifications, the investigation became purely historical in nature. The presence of many gunmen in and near the area of Bundy Ranch, the armed checkpoints and patrols, the presence of assault weapons in the militia camps, including (by some accounts) a .50 caliber machinegun, further increased the difficulty of conducting a physical investigation of Bundy Ranch or the impoundment site.

All of that said and despite those obstacles, the investigation began the day after the assault and continues to this day, identifying the assaulters, where they came from, how they got to Nevada, their connections to Bundy and others and their role in the assault and the aftermath.

To date, the government has conducted hundreds of witness interviews; executed dozens of search warrants; reviewed, organized and analyzed hundreds of thousands of pages of documents (mostly from social media); reviewed, organized and analyzed thousands of pages of telephone records; and organized, reviewed and analyzed hundreds of hours of audio and video recordings.

In addition to his numerous oral and written statements captured on social media, Parker is captured in photographs and on video assaulting federal officers. The evidence overwhelmingly establishes that Parker was actively involved as a gunman in the conspiracy to assault and extort federal law enforcement officers conducting impoundment operations on April 12.

C. The Defendant's History and Characteristics Demonstrate the Danger and Risk of Non-Appearance He Poses

As discussed above, Parker believes in using guns against law enforcement officers because, according to him they have no authority, further making him an unlikely candidate for

court-ordered supervision. At a minimum, any release order would require Parker to abide by all laws. But he has already stated that he does not believe that federal laws apply to him. There is no evidence to suggest that he has changed his mind about that or about his twisted view of the violence at Bundy Ranch, his role in it, or about federal law enforcement officers in general. He has repeatedly stated that he is willing to “die” to supposedly stand up to the federal government. Simply put, Parker believes he has a right to use a gun when he disagrees with the law in order to make a “hard stand.”

As described above, Parker is viewed by like-minded individuals as a folk hero and leader. In his role as vice-president of the Idaho III%, there is no doubt that Parker would be able to rally guns to support his efforts not to comply with court orders.

Parker also faces a potentially lengthy prison sentence if convicted of the current charges, including a consecutive seven year mandatory minimum sentence under 18 U.S.C. 924(c). He has a strong incentive to flee because of the likelihood of a significant prison sentence if he is convicted. *United States v. Townsend*, 897 F.2d at 995 ([F]acing the much graver penalties possible under the present indictment, the defendants have an even greater incentive to consider flight.”).

D. The Defendant Poses A Significant Danger to the Community

Parker’s conduct in April, 2014, risked hundreds of people’s lives – he aimed his high-power assault rifle at federal officers. But for the courageous restraint of these officers, this violent assault would likely have met with violent and deadly ends.

Parker continues to put federal law enforcement officers, civilian employees, and community members at risk as demonstrated by his recent participation in the events surrounding the armed occupation of MNWR.

E. Only Pretrial Detention Will Reasonably Assure the Safety of Others and the Community and the Defendant's Future Appearance

There is no evidence to rebut the presumption of detention in this case. The charges, the evidence, the defendant's history and the danger posed by his continued release all show that detention is warranted here. As already discussed, any terms of release would have to include that Parker obey all laws. He cannot follow that – he has stated and demonstrated that will not adhere to laws he does not believe in.

Even the most stringent of conditions are insufficient to assure the safety of the community or the appearance of Parker given that ultimately, they must rely on the Parker's good faith compliance. *See United States v. Hir*, 517 F.3d 1081, 1092 (9th Cir. 2008) (Noting that although the defendant and pretrial services proposed "strict" conditions, "they contain[ed] one critical flaw. In order to be effective, they depend on [the defendant's] good faith compliance."); *see also Tortora*, 922 F.2d 880, 886 (1st Cir. 1990) (concluding that an extensive set of release conditions contained "an Achilles' heel ... virtually all of them hinge[d] on the defendant's good faith compliance"). In *Tortora*, an alleged member of a prominent mafia family stood trial for crimes under the racketing and organized crime statute. The First Circuit considered the elaborate conditions proposed that would restrict any communications with the defendant's cohorts. Ultimately, the court rejected those conditions, recognizing that "the conditions as a whole are flawed in that their success depends largely on the defendant's good faith-or lack of it. They can be too easily circumvented or manipulated." *Tortora*, 922 F.2d at 886.

Such considerations are doubly present here, given that Parker's crimes in this case are rooted in his defiance of federal court orders, and that his commitment to flouting federal authority has been maintained in word and deed through the present.

III. CONCLUSION

For the reasons stated herein, the Parker is a danger to the community and a poses a risk of non-appearance and that no condition or combination of conditions will reasonably assure the safety of others or his appearance at future proceedings. Accordingly, the Government respectfully requests that the Court order Parker detained pending trial.

Dated this 3rd day of March, 2016.

WENDY J. OLSON
UNITED STATES ATTORNEY
By:

/s/ Justin D. Whatcott
JUSTIN D. WHATCOTT
Assistant United States Attorney

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on March 3, 2016, the foregoing **GOVERNMENT'S MEMORANDUM IN SUPPORT OF PRETRIAL DETENTION** was electronically filed with the Clerk of the Court using the CM/ECF system, and that a copy was served on the following parties or counsel by:

<p>Randall Barnum Barnum, Howel, and Gunnl 380 S. 4th Street, Suite 104 Boise, ID 83702 randall@barnumhowell.com <i>Attorney for Eric J. Parker</i></p>	<p><input type="checkbox"/> United States Mail, postage prepaid <input type="checkbox"/> fax <input checked="" type="checkbox"/> ECF filing <input type="checkbox"/> email</p>
--	--

/s/ Kate Curtis
Legal Assistant

SEALED

THIS MATTER HAS SINCE BEEN UNSEALED

Office of the United States Attorney
District of Nevada
333 Las Vegas Blvd., South, Ste. 5000
Las Vegas, Nevada 89101
(702) 388-6336

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COUNSEL/PARTIES OF RECORD	
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CLERK US DISTRICT COURT DISTRICT OF NEVADA	
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7 **UNITED STATES DISTRICT COURT**
DISTRICT OF NEVADA

8 UNITED STATES OF AMERICA,

9 Plaintiff,

10 v.

11 CLIVEN D. BUNDY,
 12 RYAN C. BUNDY,
 AMMON E. BUNDY,
 13 RYAN W. PAYNE,
 PETER T. SANTILLI, Jr.,
 14 MELVIN D. BUNDY,
 DAVID H. BUNDY,
 15 BRIAN D. CAVALIER,
 BLAINE COOPER,
 16 GERALD A. DELEMUS,
 ERIC J. PARKER,
 17 O. SCOTT DREXLER,
 RICHARD R. LOVELIEN,
 18 STEVEN A. STEWART,
 TODD C. ENGEL,
 19 GREGORY P. BURLESON,
 JOSEPH D. O'SHAUGHNESSY,
 20 MICAH L. McGUIRE, and
 21 JASON D. WOODS,

22 Defendants.

) **SEALED**

) **SUPERSEDING CRIMINAL**
) **INDICTMENT**

) 2:16-CR-00046-GMN-PAL

) **VIOLATIONS:**

) 18 U.S.C. § 371 – Conspiracy to Commit
) an Offense Against the United States;

) 18 U.S.C. § 372 – Conspiracy to Impede
) and Injure a Federal Officer;

) 18 U.S.C. § 111(a)(1) and (b) – Assault on
) a Federal Officer;

) 18 U.S.C. § 115(a)(1)(B) – Threatening a
) Federal Law Enforcement Officer;

) 18 U.S.C. § 924(c) – Use and Carry of a
) Firearm in Relation to a Crime of
) Violence;

) 18 U.S.C. § 1503 – Obstruction of the
) Due Administration of Justice;

) 18 U.S.C. § 1951 – Interference with
) Interstate Commerce by Extortion;

) 18 U.S.C. § 1952 – Interstate Travel in
) Aid of Extortion;

) 18 U.S.C. § 2 – Aiding and Abetting

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1 The Grand Jury charges that at all times relevant to this Superseding
2 Indictment:

3 I.

4 SUMMARY

5 1. This Superseding Indictment resulted from a massive armed assault
6 against federal law enforcement officers that occurred in and around Bunkerville,
7 Nevada, on April 12, 2014. The defendants named herein planned, organized, led,
8 and/or participated as gunmen in the assault, all in order to threaten, intimidate,
9 and extort the officers into abandoning approximately 400 head of cattle that were
10 in their lawful care and custody.

11 2. One of the goals of the conspiracy was to thwart the seizure and
12 removal of defendant Cliven BUNDY's ("BUNDY") cattle from federal public
13 lands. BUNDY had trespassed on the public lands for over 20 years, refusing to
14 obtain the legally-required permits or pay the required fees to keep and graze his
15 cattle on the land.

16 3. Since 1998, BUNDY was under federal Court Order to remove his
17 trespass cattle, an Order BUNDY refused to recognize or follow. In 2013, a
18 federal court issued two more Orders for removal, each declaring that, in keeping
19 with the law, the United States was authorized to seize and remove the cattle
20 from the land in the event BUNDY refused to do so. BUNDY refused.

21 4. The removal operation, known as an "impoundment," began on April
22 5, 2014. While it was ongoing, BUNDY and other leaders and organizers of the
23 conspiracy, used deceit and deception to recruit gunmen and other "Followers" for
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1 the purpose of using force, threats, and intimidation to stop the impoundment,
2 flooding the internet with false and deceitful images and statements to the effect
3 that law enforcement officers were abusing **BUNDY** and stealing his cattle.
4 Deliberately lying, the leaders and organizers pleaded for gunmen and others to
5 travel to Nevada to “stop the abuse” by “making a show of force against [the
6 officers]” in order “to get them to back down” and “return the cattle.” By the
7 morning of April 12, hundreds of people, including gunmen armed with assault
8 rifles and other firearms, had traveled to Bunkerville, becoming **BUNDY**'s
9 “Followers,” conspiring with, and aiding and abetting him, and the other leaders
10 and organizers, to execute a plan to recover **BUNDY**'s cattle by force, threats and
11 intimidation.

12 5. On the morning of April 12, **BUNDY** organized his gunmen and
13 other Followers and gave them the Order to get the cattle, directing a crowd of
14 hundreds to travel more than five miles to the site where the cattle were corralled.
15 One group of Followers kept law enforcement officers occupied at the main
16 entrance of the site by threatening to enter there, while another group –
17 ultimately consisting of more than 200 Followers led by defendant Ammon
18 **BUNDY** (“**A. BUNDY**”) – assaulted the site from below, converging on its most
19 vulnerable point: a narrow entrance located in a wash that ran under highway
20 bridges. Seeing the assault unfold, the officers responded to the wash to prevent
21 entry.
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23 6. The 200 Followers in the wash included a significant number of
24 gunmen, brandishing or raising their assault rifles or other firearms in front of

1 the officers. Some of these gunmen took tactically superior positions on high
2 ground, while others moved in and out of the crowd, masking their movements
3 behind other unarmed Followers. The most immediate threat to the officers came
4 from the bridges where gunmen took sniper positions behind concrete barriers,
5 their assault rifles aimed directly at the officers below.

6 7. Having seized the tactical advantage, A. **BUNDY** and about 200 of
7 the Followers pressed forward to and against the wash entrance, demanding that
8 the officers leave and abandon the cattle, threatening to enter by force if they did
9 not do so. Outnumbered by more than 4:1, unwilling to risk harm to children and
10 other unarmed bystanders who had accompanied the Followers, and wishing to
11 avoid the firefight that was sure to follow if they engaged the gunmen on the
12 bridges and elsewhere who posed such an obvious threat to their lives, the officers
13 had no choice and were forced to leave and abandon the cattle to **BUNDY** and his
14 co-conspirators, who promptly released and returned the cattle to **BUNDY**.

15 8. Thereafter, the leaders and organizers of the conspiracy organized
16 armed security patrols and checkpoints in and around **BUNDY**'s property to deter
17 and prevent any future law enforcement actions against **BUNDY** or his co-
18 conspirators and to protect his cattle from future removal actions, cattle he
19 continued to hold, graze and keep on federal public lands unlawfully and
20 continues to do so as of the date of this Superseding Indictment.

21 II.

22 THE DEFENDANTS

23 9. Defendant Cliven D. **BUNDY** ("**BUNDY**") was a resident of
24

1 Bunkerville, Nevada, and the operator of a ranch referred to as "Bundy Ranch."
2 His ranching operations included grazing cattle unlawfully on federal public land.

3 10. Defendant Ryan C. **BUNDY** ("**R. BUNDY**") was a resident of Utah
4 and one of **BUNDY**'s adult sons who affiliated himself with Bundy Ranch.

5 11. Defendant Ammon E. **BUNDY** ("**A. BUNDY**") was a resident of
6 Arizona and one of **BUNDY**'s adult sons who affiliated himself with Bundy Ranch.

7 12. Defendant Ryan W. **PAYNE** ("**PAYNE**") was a resident of Montana
8 and affiliated with an organization that he called Operation Mutual Aid ("**OMA**").
9 **OMA** purported to be "a coalition of States Militias, Patriotic Civilians, Individual
10 Freedom Fighters, and Media Relations personnel from Patriotic political activism
11 groups, in conjunction with local law enforcement if and where applicable."

12 13. Defendant Peter T. **SANTILLI** ("**SANTILLI**") was a resident of
13 California, who purported to be an internet blog radio host and affiliated with a
14 show that he broadcasted over the internet.

15 14. Defendant Melvin D. **BUNDY** ("**M. BUNDY**") was a resident of
16 Nevada and one of Cliven Bundy's adult sons who affiliated himself with Bundy
17 Ranch.

18 15. Defendant David H. **BUNDY** ("**D. BUNDY**") was a resident of Utah
19 and one of Cliven Bundy's adult sons who affiliated himself with Bundy Ranch.

20 16. Defendant Brian D. **CAVALIER** ("**CAVALIER**") was a resident of
21 Arizona who traveled to the State of Nevada with the intent to commit the crimes
22 delineated herein.

23 17. Defendant Blaine **COOPER** ("**COOPER**") was a resident of Arizona
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1 who traveled to the State of Nevada with the intent to commit the crimes
2 delineated herein.

3 18. Defendant Gerald A. **DELEMUS** ("DELEMUS") was a resident of
4 New Hampshire who traveled to the State of Nevada with the intent to commit
5 the crimes delineated herein.

6 19. Defendant ERIC J. **PARKER** ("PARKER") was a resident of Idaho
7 who traveled to the State of Nevada with the intent to commit the crimes
8 delineated herein.

9 20. Defendant O. **SCOTT DREXLER** ("DREXLER") was a resident of
10 Idaho who traveled to the State of Nevada to commit the crimes delineated herein.

11 21. Defendant Richard R. **LOVELIEN** ("LOVELIEN") was a resident of
12 Montana who traveled to the State of Nevada with the intent to commit the
13 crimes delineated herein.

14 22. Defendant Steven A. **STEWART** ("STEWART") was a resident of
15 Idaho who traveled to the State of Nevada with the intent to commit the crimes
16 delineated herein.

17 23. Defendant Todd C. **ENGEL** ("ENGEL") was a resident of Idaho to
18 who traveled to the State of Nevada with the intent to commit the crimes
19 delineated herein.

20 24. Defendant Gregory P. **BURLESON** ("BURLESON") was a resident
21 of Arizona who traveled to Nevada with the intent to commit the crimes set forth
22 herein.

23 25. Defendant Joseph D. **O'SHAUGHNESSY** ("O'SHAUGHNESSY")
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1 was a resident of Arizona who traveled to Nevada with the intent to commit the
2 crimes set forth herein.

3 26. Defendant Micah L. **McGUIRE** (“**McGUIRE**”) was a resident of
4 Arizona who traveled to Nevada with the intent to commit the crimes set forth
5 herein.

6 27. Defendant Jason D. **WOODS** (“**WOODS**”) was a resident of Arizona
7 who traveled to Nevada with the intent to commit the crimes set forth herein.

8 **III.**

9 **TERMS AND DEFINITIONS**

10 28. “Federal public land” or “public land” was land owned by the United
11 States and managed through various agencies of the United States, including,
12 among others, the United States Department of Interior, Bureau of Land
13 Management (“BLM”) and National Park Service (“NPS”).

14 29. The BLM and NPS employed Rangers, Officers, and Special Agents
15 to enforce federal laws and regulations on public land under their management.

16 30. BLM and NPS Rangers, Officers, and Special Agents were “federal
17 law enforcement officers” under Title 18, United States Code, Section 115, that is,
18 they were officers, agents, and employees of the United States authorized by law
19 to engage in or supervise the prevention, detection, investigation, or prosecution of
20 any violation of federal criminal law.

21 31. The Bunkerville Allotment (“the Allotment”) was an area of federal
22 public land near Bunkerville, Nevada, under the management of BLM. The
23 United States has owned the land comprising the Allotment since 1848, when it
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1 was acquired from the nation of Mexico under the Treaty of Guadalupe Hidalgo,
2 and has never relinquished ownership.

3 32. The Lake Mead National Recreational Area ("LMNRA") was an area
4 of federal public land located near or adjacent to the Allotment, under the
5 management of the NPS. The United States has owned the land comprising the
6 LMNRA since 1848, when it was acquired from the nation of Mexico under the
7 Treaty of Guadalupe Hidalgo, and has never relinquished ownership.

8 IV.

9 **BUNDY TRESPASSED CATTLE ON PUBLIC LAND AND REFUSED**
10 **TO COMPLY WITH FOUR COURT ORDERS TO REMOVE THEM**

11 33. Federal law required a rancher to obtain a grazing permit from the
12 BLM and to pay fees to the United States to graze cattle on the Bunkerville
13 Allotment. Grazing cattle without a permit constituted a trespass on public land.

14 34. From 1993 to the date of this Superseding Indictment, **BUNDY**
15 knowingly refused to pay fees or obtain permits as he kept and grazed his cattle
16 on the Allotment year-round, constituting a continuing trespass on public land.

17 35. In 1998, and because of **BUNDY's** continuing trespass, the United
18 States District Court for the District of Nevada (hereinafter "District Court" or
19 "Federal Court") Ordered **BUNDY** to remove his cattle permanently from the
20 Allotment. **BUNDY** deliberately ignored the Order and continued to trespass by
21 keeping and grazing his cattle unlawfully on public land.

22 36. In 1999, the District Court fined **BUNDY** for each day he refused to
23 remove his cattle. **BUNDY** refused to pay the fines and continued to trespass by
24

1 keeping and grazing his cattle unlawfully on public land.

2 37. By 2012, **BUNDY**'s herd had multiplied substantially and spread
3 into the LMNRA where **BUNDY** kept and grazed them year-round, refusing to
4 pay fees or obtain permits, constituting a continuing trespass on public land.

5 38. In 2013, the District Court issued two Orders. One ordered **BUNDY**
6 to remove his trespass cattle permanently from the LMNRA and the other re-
7 affirmed the 1998 and 1999 Orders that required him to remove his cattle
8 permanently from the Allotment. Both Orders declared that, in keeping with the
9 law, the United States was authorized to seize and remove **BUNDY**'s trespass
10 cattle if he did not comply with the Court's Orders. One of the Orders expressly
11 stated that **BUNDY** was "not to interfere" with any removal.

12 39. **BUNDY** ignored the Orders and continued to keep and graze his
13 trespass cattle unlawfully on public land.

14
15 **V.**

16 **THE BLM PLANNED TO SEIZE AND REMOVE THE CATTLE**
FROM THE PUBLIC LANDS PURSUANT TO COURT ORDERS

17 40. In keeping with the law and the 2013 federal Court Orders, the BLM
18 planned to seize and remove **BUNDY**'s trespass cattle, following well-established
19 rules and regulations governing this procedure, referred to hereinafter collectively
20 as "impound" or "impoundment."

21 41. A preliminary survey revealed that the BLM would have to
22 impound almost 1,000 head of trespass cattle scattered over hundreds of
23 thousands of acres of arid and difficult terrain. Given these circumstances, BLM
24

1 estimated that it would take a month or more to complete the impoundment.

2 42. It was part of the plan that BLM would establish a base of operations
3 (hereinafter referred to as "the Impoundment Site") located on the public lands
4 near Bunkerville, about 7 miles away from Bundy Ranch in an area commonly
5 referred to as the Toquop Wash.

6 43. It was part of the plan that on February 17, 2014, the BLM entered
7 into a contract with a civilian contractor in Utah to round-up and gather the
8 trespass cattle. The contract required the contractor to transport people and
9 equipment to Nevada to conduct impoundment operations.

10 44. It was part of the plan that the civilian contractor and crew would
11 gather and move the trespass cattle from public land into corrals at the
12 Impoundment Site where they would be held until such time as they could be
13 further transported.

14 45. It was part of the plan that on March 20, 2014, BLM entered into a
15 contract for the services of an auctioneer in Utah. The contract required the
16 trespass cattle to be transported from the Impoundment Site in Nevada to the
17 contract auctioneer in Utah, who would then sell them at public sale.

18 46. It was part of the plan that BLM would use BLM and NPS Rangers,
19 Officers, and Special Agents to provide security for impoundment operations,
20 including securing the cattle at the Impoundment Site and protecting the civilian
21 contractors and government employees engaged in impoundment operations.
22

1 **BUNDY** replied: "I will do whatever it takes; you interpret that the way you
2 want."

3 52. On March 24, 2014, **BUNDY** threatened to interfere, stating
4 publically that he intended to "organize lots of groups" to "come from hundreds of
5 miles away" and he was in a "range war" with BLM that could "last a long time."

6 53. On March 25, 2014, **BUNDY** threatened to interfere, stating
7 publically that: "**BUNDY**'s ready . . . whenever [the federal government's] got the
8 guts to try it . . . tell them to come . . . I'll do whatever it takes."

9 54. On March 28, 2014, **BUNDY** threatened to interfere, stating
10 publically that: "all of those cowboys are going to be thieves who steal my cattle . .
11 . [i]t's like they're staging for a war . . . I told them I'd do whatever it takes . . . I'll
12 stick with that."

13 VII.

14 **BUNDY CARRIED OUT HIS THREATS** 15 **BY CONSPIRING TO LIE, THREATEN FORCE** 16 **AND VIOLENCE, AND USE FORCE AND VIOLENCE**

17 **A. Object and Nature of the Conspiracy.**

18 55. Beginning in at least March 2014, and continuing to the date of this
19 Superseding Indictment, the defendants conspired, confederated, and agreed to
20 commit numerous federal offenses, as charged below, in order to achieve the
21 objects of the conspiracy.

22 56. The scope, nature, and objects of the conspiratorial agreement were
23 to threaten force and violence and use force and violence to: (1) impede, obstruct,
24 and interfere with BLM's impoundment; (2) obtain **BUNDY**'s impounded cattle;

1 (3) intimidate and prevent law enforcement officers from taking action against the
2 conspirators; and (4) threaten, intimidate, and prevent by force law enforcement
3 officers from taking future law enforcement actions against **BUNDY** and his co-
4 conspirators and prevent by force and threats of force, the BLM from exercising
5 regulatory and law enforcement authority over federal public lands.

6 **B. Manner and Means of the Conspiracy.**

7 57. To achieve their objectives, the leaders and organizers of the
8 conspiracy recruited, organized, and led a force of hundreds of people (hereinafter
9 referred to as "Followers") to threaten and use force and violence to prevent the
10 law enforcement officers from discharging their duties and to coerce their consent
11 to abandon the cattle that were, pursuant to Court Order, lawfully in their care
12 and custody and which they were duty-bound to protect.

13 58. As a part of the manner and means of the conspiracy, the leaders and
14 organizers of the conspiracy, among other things:

15 a. Used deceit and deception to knowingly recruit gunmen and
16 other Followers, that is, to encourage, counsel, and incite others to travel to Bundy
17 Ranch for the unlawful purposes of interfering with impoundment operations,
18 obstructing the execution of federal Court Orders and using force and violence
19 against federal law enforcement officers while they were performing their duties.

20 b. Used the internet and other facilities in interstate commerce to
21 knowingly broadcast false, deceitful, and deceptive images and messages for the
22 purpose of recruiting gunmen and other Followers.

23 c. Used the internet and other facilities in interstate commerce to
24

1 encourage, counsel, and incite gunmen to bring their guns to Bundy Ranch for the
2 unlawful purposes of interfering with impoundment operations, obstructing the
3 execution of federal Court Orders, and using force and violence against federal law
4 enforcement officers to prevent them from discharging their duties.

5 d. Traveled in interstate commerce and used other facilities in
6 interstate commerce to threaten force, violence, and economic harm to private
7 contractors providing services to the BLM during impoundment operations.

8 e. Threatened and used force and violence against BLM civilian
9 employees engaged in impoundment operations for the purpose of obstructing the
10 execution of federal Court Orders and interfering with impoundment operations.

11 f. Counseled, incited, and led Followers to use, carry, brandish,
12 and aim firearms, including assault rifles, for the purpose of assaulting federal
13 law enforcement officers.

14 g. Counseled, incited, and led Followers to use, carry, brandish,
15 and aim firearms, including assault rifles, for the purpose of extorting federal law
16 enforcement officers.

17 h. Organized Followers into body guards, armed patrols, and
18 security checkpoints for the purpose of using threats, force, violence, and
19 intimidation to protect the conspirators, prevent law enforcement actions against
20 the conspirators, prevent the execution of federal Court Orders, and prevent law
21 enforcement officers from discharging their duties.

22
23 59. As a part of the manner and means of the conspiracy, the defendants
24 referred to herein as "gunmen," traveled to Bundy Ranch with firearms for the

1 purpose of joining the conspiracy and to carry, use, or brandish firearms for the
2 purpose of threatening, intimidating, impeding, interfering with, assaulting and
3 extorting federal law enforcement officers while in the performance of their duties.

4 **C. Roles of the Conspirators.**

5 60. **BUNDY** was the leader, organizer, and chief beneficiary of the
6 conspiracy, possessing ultimate authority over the scope, manner, and means of
7 conspiratorial operations and receiving the economic benefits of the extortion.

8 61. **A. BUNDY** and **R. BUNDY**, were leaders and organizers of the
9 conspiracy who, among other things: recruited gunmen and other Followers;
10 interfered with impoundment operations through threats and use of force and
11 violence; interfered with impoundment operations by attempting to extort BLM
12 contractors; led an armed assault against federal law enforcement officers;
13 delivered extortionate demands to law enforcement officers; and extorted federal
14 law enforcement officers.

15 62. **PAYNE** was a leader and organizer of the conspiracy who, among
16 other things: recruited gunmen and other Followers; organized gunmen and other
17 Followers; communicated the objectives of the conspiracy to gunmen; led the
18 armed assault on federal officers at the Impoundment Site; and organized
19 protection for the conspirators and the criminal enterprise.

20 63. **SANTILLI** was a leader and organizer of the conspiracy who, among
21 other things: recruited gunmen and other Followers using the internet and other
22 facilities in interstate commerce; led an assault on federal officers on April 9;
23 threatened federal law enforcement officers; and participated in the assault and
24

1 extortion of federal law enforcement officers at the Impoundment Site.

2 64. Defendants **D. BUNDY** and **M. BUNDY** were leaders and organizers
3 of the conspiracy who, among other things: recruited gunmen and other Followers;
4 interfered with impoundment operations through threats and use of force and
5 violence; interfered with impoundment operations by attempting to extort BLM
6 contractors; led the armed assault against federal law enforcement officers at the
7 Impoundment Site; delivered extortionate demands to law enforcement officers;
8 and extorted federal law enforcement officers.

9 65. Defendant **CAVALIER** was a mid-level leader and organizer of the
10 conspiracy who, among other things: recruited and organized gunmen and other
11 Followers; conducted reconnaissance missions; and provided personal protection
12 for members of the criminal enterprise.

13 66. Defendant **COOPER** was a mid-level leader and organizer of the
14 conspiracy who, among other things: recruited and organized gunmen and other
15 Followers; conducted reconnaissance missions; recruited Followers; and provided
16 personal protection for members of the criminal enterprise.

17 67. Defendant **O'SHAUGHNESSY** was a mid-level leader and organizer
18 of the conspiracy who, among other things: organized gunmen and other
19 Followers; led gunmen and other Followers in the assault and extortion of federal
20 law enforcement officers at the Impoundment Site; organized protection for
21 members of the criminal enterprise; and organized armed patrols and security
22 checkpoints.

23
24 68. Defendant **DELEMUS** was a mid-level leader and organizer of the

1 conspiracy who, among other things: recruited, organized, trained and provided
2 logistical support to gunmen and other Followers and organized and led armed
3 patrols and security checkpoints.

4 69. Defendant **PARKER** was a gunman who threatened, impeded,
5 intimidated, interfered with, assaulted and extorted federal law enforcement
6 officers while in the performance of their duties, as described herein.

7 70. Defendant **DREXLER** was a gunman who threatened, impeded,
8 intimidated, interfered with, assaulted and extorted federal law enforcement
9 officers while in the performance of their duties, as described herein.

10 71. Defendant **STEWART** was a gunman who threatened, impeded,
11 intimidated, interfered with, assaulted and extorted federal law enforcement
12 while in the performance of their duties, as described herein.

13 72. Defendant **LOVELIEN** was a gunman who threatened, impeded,
14 intimidated, interfered with, assaulted and extorted federal law enforcement
15 officers while in the performance of their duties, as described herein.

16 73. Defendant **ENGEL** was a gunman who threatened, impeded,
17 intimidated, interfered with, assaulted and extorted federal law enforcement
18 officers while in the performance of their duties, as described herein.

19 74. Defendant **BURLESON** was a gunman who threatened, impeded,
20 intimidated, interfered with, assaulted, and extorted federal law enforcement
21 officers while in the performance of their duties, as described herein.

22 75. Defendant **McGUIRE** was a gunman who threatened, impeded,
23 intimidated, interfered with, assaulted, and extorted federal law enforcement
24

1 officers while in the performance of their duties, as described herein.

2 76. Defendant **WOODS** was a gunman who threatened, impeded,
3 intimidated, interfered with, assaulted and extorted federal law enforcement
4 officers while in the performance of their duties, as described herein.

5 **D. Overt Acts in Furtherance of the Conspiracy.**

6 77. It was a part of the conspiracy and for the purpose of carrying out the
7 objects of the conspiracy, the defendants performed, or caused to be performed, the
8 following overt acts, among many others.

9 1. **March 28 to April 11: The Conspirators Interfered with**
10 **Impoundment Operations and Used Deceit and Deception to**
11 **Recruit Followers.**

12 78. On or about March 28, 2014, **BUNDY, R. BUNDY**, and others
13 working with them, blocked a convoy of vehicles carrying horses and equipment
14 intended for use in impoundment operations, confronting and threatening civilian
15 contractors, endangering the safety of the personnel in the convoy, and interfering
16 with impoundment operations.

17 79. Shortly thereafter, and in an effort to recruit Followers, **BUNDY**
18 caused the broadcast of a video of the confrontation with the contractors entitled
19 "Range War," depicting images captured during the confrontation, combining
20 them with false, deceitful and deceptive statements to the effect that the BLM was
21 stealing **BUNDY's** cattle.

22 80. On or about April 2, 2014, **R. BUNDY** and others working with him,
23 traveled from Nevada to Utah to threaten force, violence and economic harm to
24 the contract auctioneer providing services to the BLM, by, among other things,

1 entering upon the contractor's property for the purpose of interfering with
2 business operations, threatening and intimidating customers and employees,
3 interfering with business operations, and threatening to shut down the business if
4 the contractor fulfilled his contractual obligations with BLM.

5 81. On or about April 5, 2014, **BUNDY** threatened force and violence
6 against federal law enforcement officers by publically stating, among other things:
7 "I've done quite a bit so far to keep my cattle, but I guess it's not been enough . . .
8 they took 75 of my cattle today . . . I have said I'd do what it takes to keep my
9 cattle so I guess it is going to have to be more physical."

10 82. On or about April 5, 2014, **D. BUNDY** traveled from Utah to the
11 Bundy Ranch in Nevada.

12 83. On or about April 6, 2014, **R. BUNDY** and **D. BUNDY**, interfered
13 with impoundment operations by positioning themselves to block a BLM convoy
14 and refusing to leave the area when asked to do so. Failing to leave after repeated
15 requests, **D. BUNDY** was arrested by law enforcement officers.

16 84. Shortly thereafter, the defendants caused images of the **D. BUNDY**
17 arrest to be broadcasted over the internet, combining them with false, deceitful
18 and deceptive statements to the effect that the BLM supposedly: employed snipers
19 against Bundy family members; used excessive force during the arrest; and
20 arrested Bundy for exercising his First Amendment rights.

21 85. On or about April 6, 2014, **COOPER** posted on his Facebook page a
22 link to an article about the Impoundment and stated, "See where are those Oath
23 Keeper's I say we go their armed together and help him fight if there was ever a
24

1 time to make a stand against the feds now is the time. Good so let's go there 100
2 strong loaded to the teeth and shoot all of them that try to take this man's cows
3 and land.”

4 86. On or about April 7, 2014, **A. BUNDY** traveled from Arizona to the
5 Bundy Ranch in Nevada.

6 87. On or about April 7, 2014, **PAYNE** in Montana contacted **BUNDY** in
7 Nevada, by telephone.

8 88. On or about April 7, 2014, **PAYNE** used the internet and other
9 facilities in interstate commerce to recruit gunmen and others to travel to the
10 Bundy Ranch for the unlawful purpose of interfering with impoundment
11 operations, stating falsely, among other things, that the Bundy Ranch was
12 surrounded by BLM snipers, that the Bundy family was isolated, and that the
13 BLM wanted **BUNDY** dead.

14 89. On or about April 7, 2014, **BUNDY** and others working with him
15 established a site only minutes travel distance from the Bundy Ranch along
16 Nevada State Route 170, a state road that also served as the main route between
17 the Impoundment Site and the public land where impoundment operations were
18 taking place. Strategically located between the Impoundment Site and various
19 ingress and egress points to public land, the location of site served as both a
20 natural vantage point from which to observe impoundment operations and a
21 potential choke-point for disrupting BLM convoys. Conspicuous for, among other
22 things, a stage and two tall flagpoles, one of which flew the Nevada State flag
23 above the flag of the United States, this site (hereinafter referred to as “the
24

1 Staging Site”) served as a base of operations from which the conspirators made
2 speeches, received and organized gunmen and other Followers as they arrived at
3 Bundy Ranch, and gathered and organized gunmen and other Followers before
4 initiating their assault on federal law enforcement officers.

5 90. On or about April 7, 2014, **COOPER** contacted **SANTILLI** about
6 going to Bundy Ranch, stating, “What do you think about getting a movement
7 down to Nevada against the FEDS? . . . Time we stopped all this huffing and
8 puffing and bullshit over the microphones and computers and go down and do
9 what we got to do.”

10 91. On or about April 8, 2014, **SANTILLI** in California contacted
11 **BUNDY** in Nevada, by telephone.

12 92. On or about April 8, 2014, **SANTILLI** and **BUNDY** broadcasted
13 words and images over the internet for the purpose of recruiting gunmen and
14 other Followers. Using deceit, deception, and threats to encourage and incite
15 others to travel to Bundy Ranch for unlawful purposes, **BUNDY** told listeners,
16 among other things, that: “they have my house surrounded . . . the federal
17 government is stealing my property . . . [the BLM] are armed with assault rifles . .
18 . they have snipers . . . I haven’t called no militia but, hey, that look like where we
19 are . . . there is a strong army out here . . . we are going to have to take our land
20 back . . . somebody is going to have to back off . . . we the people will put our boots
21 down and walk over these people . . . they are up against a man who will do
22 whatever it takes.”

23 93. In that same broadcast, **SANTILLI** used threats to encourage and
24

1 incite listeners to travel to Bundy Ranch for unlawful purposes, telling listeners,
2 among other things, that: "if this is not the issue right now where we stand and
3 fight to the absolute death there is no other option; the federal government must
4 get out of the State of Nevada . . . if they don't want it to be peaceful it is by their
5 choice. . . I'm calling on all Americans anywhere in the vicinity of Clark County,
6 Nevada . . . if you're in Nevada and can legally carry, get weapons out there, o.k. . .
7 . we are going to stand and fight in Clark County, Nevada . . . they will leave or
8 else."

9 94. On or about April 8, 2014, **PAYNE** sent a message from Montana to
10 Pennsylvania to another person who referred to himself as one of the leaders in
11 OMA, stating, among other things, that it was "time to invite everyone to the first
12 annual Patriots (sic) Picnic at the Bundy Ranch" and telling the OMA leader that
13 the Bundys "still want help."

14 95. On or about April 8, 2014, and for the purpose of recruiting gunmen
15 and other Followers, **PAYNE** sent a message over the internet, stating that he
16 had spoken with **BUNDY** and that "he knows we're coming and has opened his
17 land up to everyone willing . . . OMA is moving . . . not going public with this until
18 more are enroute."

19 96. On or about April 8, 2014, **PAYNE** caused an email to be sent to
20 OMA members stating: "we have made the decision to mobilize in Nevada, units
21 are underway as I type this . . . the feds arrested some protestors today, and the
22 words 'we need you now' were uttered . . . we have approximately 150 responding,
23 but that number is [gr]owing by the hour." The message provided directions and
24

1 grid coordinates to Bundy Ranch.

2 97. On or about and between April 8 and 9, 2014, **SANTILLI** traveled
3 from California to Bundy Ranch in Nevada.

4 98. On or about and between April 8 and 9, 2014, **PAYNE** traveled from
5 Montana to Bundy Ranch in Nevada.

6 99. On or about April 8, 2014, **DELEMUS** in New Hampshire contacted
7 **BUNDY** in Nevada.

8 100. On or about April 9, 2014, **PAYNE** and **SANTILLI** met with
9 **BUNDY** and other conspirators at Bundy Ranch.

10 101. On or about April 9, 2014, **ENGEL** in Idaho contacted an OMA
11 member in Pennsylvania.

12 102. On the morning of April 9, 2014, **M. BUNDY** and **SANTILLI** met
13 with the SAC. **SANTILLI** stated that he was acting as a liaison between **BUNDY**
14 and the BLM. Threatening the SAC, **SANTILLI** asked: "What are you guys going
15 to do if 10,000 people show up? . . . Are you prepared for this?" **SANTILLI** added:
16 "I don't believe in firing a single bullet unless in absolute defense and it's legal
17 and constitutional."

18 103. On or about April 9, 2014, and for the purpose of encouraging and
19 inciting gunmen and others to travel to Bundy Ranch for unlawful purposes, the
20 conspirators caused a message to be broadcasted over the internet, stating: "The
21 Bundy family has requested help from militia groups including Operation Mutual
22 Aid, 3 Percenters club, freedom fighters, and other operations to come and stand
23 with us and regain our rights and freedom."
24

1 104. On April 9, 2014, and for the purpose of encouraging and inciting
2 gunmen and others to travel to Bundy Ranch for unlawful purposes, **SANTILLI**
3 broadcasted a message over the internet, stating, among other things: “the BLM
4 knows if they are outnumbered and outgunned . . . they will stand down . . . we
5 want BLM to get out of the state of Nevada . . . I fully expect the standoff will
6 occur when thousands go to repossess the rightfully owned property of the Bundys
7 . . . we need strength in numbers.”

8 105. On or about April 9, 2014, **R. BUNDY**, and others working with him,
9 traveled for a second time from Nevada to Utah to threaten force, violence and
10 economic loss to the contract auctioneer providing services to the BLM by, among
11 other things: intimidating customers; interfering with business operations; and
12 instilling fear and apprehension in customers and employees.

13 106. On or about April 9, 2014, and for the purpose of recruiting gunmen
14 and encouraging and inciting others to travel to Bundy Ranch for unlawful
15 purposes, **SANTILLI** broadcasted a message over the internet, stating, among
16 other things: “now is the time to show up for something like this . . . we need ten
17 thousand people to come here . . . I only have one fear is that people that don’t
18 respond to this call . . . it’s time to make a stand against tyranny . . . we need to let
19 everyone know that BLM has zero authority.”

20 107. On April 9, 2014, **SANTILLI**, **A. BUNDY** and **M. BUNDY** assaulted,
21 interfered with, impeded and intimidated federal officers by, among other things:
22 intercepting and blocking a convoy of BLM vehicles engaged in impoundment
23 operations; colliding an ATV into a truck in the convoy in an attempt to stall the
24

1 truck; attempting to forcibly gain entrance to the stalled truck; attempting to
2 throw a rock at law enforcement officers protecting the convoy; threatening
3 physical harm to law enforcement officers while they were protecting the truck
4 and the civilian passengers inside; and causing physical contact with an officer
5 while the officer was engaged in protecting the truck and the civilian passengers
6 inside.

7 108. On or about April 9, 2014, and for the purpose of recruiting gunmen
8 and inciting others to travel to Bundy Ranch for unlawful purposes, **SANTILLI**
9 broadcasted a message over the internet, stating, among other things: “we were
10 serious about stopping the convoy . . . [the BLM] were caught off guard and tried
11 to push past us . . . they couldn’t do it . . . we outnumbered them and they
12 retreated . . . we know how they will come back after they retreat . . . my biggest
13 fear is if we don’t respond . . . they retreated and will come back with a bigger
14 force . . . we need to disperse them with tens of thousands . . . we want BLM to
15 always retreat because we will always outnumber them . . . we have all been
16 waiting for that ultimate moment . . . there is so much at stake . . . we can win
17 with numbers . . . I’ve got people coming from Michigan . . . militia members who
18 are fully armed are here . . . it’s good to watch the BLM with its tail between its
19 legs . . . get out here . . . this is going to get exciting . . . ultimately get the feds to
20 leave.”

21
22 109. On April 10, 2014, and for the purpose of recruiting gunmen and
23 encouraging and inciting others to travel to Bundy Ranch for unlawful purposes,
24 **PAYNE** caused an email to be sent to self-described “militia” members of OMA

1 under the subject line "Bundy Objectives," as follows:

2 Nevada Alert! We are requesting help to distribute the following to any and
3 all media, blog, patriot groups etc.

4 1. Secure the Bundy family from government incursion which includes
5 protection of all personnel responding in support of the Bundys ie.
6 Protestors, extended family, and friends.

7 2. To return the confiscated Clark County Nevada property currently
8 blocked by federal personnel to it's (sic) rightful stewards, the people of
9 Clark County, Nevada.

10 3. To secure and return to Mr. Bundys (sic) ranch the mounting number
11 of cattle which have been confiscated by BLM agents and private
12 contractors.

13 These objectives are in cohesion with Cliven Bundy and the Bundy ranch . .

14 ..
15 110. On or about April 10, 2014, and for the purpose of recruiting gunmen
16 and encouraging and inciting others to travel to Bundy Ranch for unlawful
17 purposes, **SANTILLI** broadcasted a message over the internet, stating, among
18 other things: "there is not enough militia here . . . we have thousands of very
19 organized constitutional militia . . . they are trickling in . . . where we will fail is
20 for us not to at least match the overwhelming force . . . we have about 50
21 members here now . . . where we will fail is for us not to not match the BLM force .
22 . . we need a show of force . . . we did a recon and found that BLM have hundreds
23 of vehicles . . . BLM needs to vacate immediately . . . we need the numbers for
24 the feds to leave . . . they will come back with a bigger force . . . we need tens of
thousands of people so they retreat . . . come out here . . . we've all been waiting
for the ultimate moment . . . we can win with numbers . . . get out here no matter
where you are . . . militia members here are fully armed."

1 111. On or about April 10, 2014, and for the purpose of recruiting gunmen
2 and encouraging and inciting others to travel to Bundy Ranch for unlawful
3 purposes, **SANTILLI** broadcasted a message over the internet, stating, among
4 other things: “there is a court order, but the court is corrupt . . . BLM believes
5 they are acting constitutionally . . . BLM is in violation of every God-given right of
6 every human being . . . [BLM’s] closure orders are ‘shelter in place’. . . [BLM]
7 aimed AR-15s at me [during confrontation on April 9] . . . Waco and Ruby Ridge
8 was a show of force by government and violated sovereign rights . . . if we have
9 10,000 people, [the BLM] will have to get past us.”

10 112. On or about April 10, **LOVELIEN** traveled from Montana to the
11 Bundy Ranch in Nevada with firearms and with the intent to commit the crimes
12 set forth herein.

13 113. On or about April 10, 2014, **O’SHAUGHNESSY** traveled from
14 Arizona to Bundy Ranch in Nevada with firearms and with the intent to commit
15 the crimes set forth herein.

16 114. On or about April 10, 2014, **DELEMUS** began to travel from New
17 Hampshire to Nevada with firearms and with the intent to commit the crimes set
18 forth herein.

19 115. On the morning of April 11, 2014, **SANTILLI** met with the SAC and
20 threatened him, stating, among other things: “we are going to have a face-to-face
21 confrontation . . . we have thousands of people . . . we are going to come here and
22 it is non-negotiable . . . if that comes about, we want to make sure that any [BLM
23 officer] who wants to stand down will not be retaliated against . . . this is non-
24

1 negotiable . . . if you make the decision to go face-to-face and someone gets hurt
2 we are going to hold you responsible . . . tell D.C. that the justification for this is
3 from a corrupt court . . . I'm relaying a message . . . if anyone is acting
4 unconstitutionally they will be arrested . . . I came here to allow you to prevent a
5 scenario where someone gets hurt."

6 116. By on or about April 11, 2014, hundreds of Followers traveled to
7 Nevada, many armed with assault rifles and other firearms (hereinafter also
8 referred to as "gunmen").

9 117. By on or about April 11, 2014, **PAYNE** and others working with him,
10 received and organized the gunmen, placing them into camps from which to
11 mobilize and deploy them.

12 118. By on or about April 11, 2014, **PAYNE**, and others working with
13 him, organized gunmen into patrols and security checkpoints to provide security
14 to the conspirators and their criminal enterprise.

15 119. On or about April 11, 2014, **CAVALIER** and **COOPER** traveled
16 together from Arizona to Bundy Ranch in Nevada with firearms and with the
17 intent to commit the crimes set forth herein.

18 120. On or about April 11, 2014, **PARKER**, **STEWART**, **DREXLER**, and
19 **ENGEL** traveled from Idaho to Bundy Ranch in Nevada with firearms and with
20 the intent to commit the crimes set forth herein.

21 121. On or about April 11 and 12, 2014, **McGUIRE**, **WOODS**, and
22 **BURLESON** traveled from Arizona to Bundy Ranch in Nevada with firearms and
23 with the intent to commit the crimes set forth herein.
24

1 **2. April 12: The Conspirators Assaulted and Extorted Law**
2 **Enforcement Officers.**

3 122. It was further a part of the conspiracy that on April 12, 2014, the
4 defendants organized, led, and executed a mass assault on federal law
5 enforcement officers in order to obtain the seized cattle, as follows.

6 123. By the morning of April 12, the BLM had seized approximately 400
7 head of cattle and had them corralled at the Impoundment Site, awaiting further
8 shipment out of the state of Nevada.

9 124. On the morning of April 12, **BUNDY** led a rally of hundreds of his
10 Followers at the Staging Site where he told them that “God [is] going to be with
11 us” and that it was time “to take our land back.” He then commanded his
12 Followers to get the cattle.

13 125. **BUNDY** directed gunmen and other Followers that “horse people”
14 (Followers riding horses) would leave the Staging Site and travel a dirt road to the
15 Toquop Wash, the location of the Impoundment Site, a distance of about 3.5 miles.
16 While that was happening, so commanded by **BUNDY**, the gunmen and other
17 Followers were to travel the highway by vehicle, a distance of about 5 miles, and
18 “shut down the freeway” at the Impoundment Site. The gunmen and other
19 Followers, so directed by **BUNDY**, were then to meet with the “horse people” in
20 the Toquop Wash.

21 126. The gunmen and other Followers did as **BUNDY** ordered. The
22 gunmen, armed with a variety of firearms, including assault rifles, hurriedly
23 loaded themselves into cars and trucks and moved *en masse* to the Impoundment
24

1 Site, jamming the roads and slowing traffic on northbound Interstate-15 ("I-15") to
2 a trickle, making it difficult for state and local law enforcement vehicles to
3 respond. When the gunmen and other Followers arrived at the Impoundment Site,
4 they jumped out of their vehicles and many of them moved quickly on foot to a
5 position across from the main entrance.

6 127. The few local law enforcement officers who were able to respond
7 formed a human line in the I-15 median to block the Followers, many of whom
8 carried and brandished assault rifles, from entering at the main entrance to the
9 Impoundment Site.

10 128. Around 11:30 a.m., **A. BUNDY** directed Followers to follow him from
11 the area across from the main entrance to the Impoundment Site to an area a few
12 hundred yards east and below the main entrance, in the Toquop Wash under the
13 northbound I-15 bridge. There, **A. BUNDY** waited while gunmen and other
14 Followers, seeing the movement of the others to the wash, moved there to join
15 him. As gunmen and other Followers gathered in the wash, **A. BUNDY**
16 instructed them that they were to wait there until the Followers on horseback
17 arrived, as his father had stated at the Staging Site.

18 129. About 150 yards across from **A. BUNDY**'s position was a makeshift
19 metal rail gate that traversed the wash between the pillars that supported the
20 southbound I-15 bridge, serving to block any unauthorized entrance to the
21 Impoundment Site from the wash. The gate was manned only by two officers who
22 immediately called for backup when they first noticed **A. BUNDY** move to the
23 wash with his Followers. As the number of Followers in the wash grew, more
24

1 officers responded to the gate, eventually forming a line that started about 15 to
2 20 yards behind the gate and extended up the wash, perpendicular to the gate.

3 130. By 11:50 a.m., over 400 of **BUNDY's** Followers had converged upon
4 the Impoundment Site, many of the Followers openly brandishing assault rifles,
5 others bearing side arms, the combined group grossly outnumbering the
6 approximately 50 officers that had moved to the wash to protect the gate. More
7 and more of the Followers moved to the wash while still others began flooding onto
8 the southbound I-15 bridges and bridge skirts, their movement there facilitated by
9 the Followers having slowed traffic on I-15 to a mere trickle.

10 131. Around 12:00 noon, **M. BUNDY** and the 40-or-so Followers on
11 horseback arrived at the wash and joined with **A. BUNDY's** group. Then, the
12 combined force of about 270 Followers – a combination of armed and unarmed on
13 foot and on horseback – moved out from under the northbound I-15 bridge and
14 toward the officers at the gate. The officers immediately began ordering the crowd
15 to disperse. Using loudspeakers, they told the Followers that they were in a closed
16 area, in violation of a Court Order. Still they came. As the Followers moved
17 closer to them, the officers observed the gunmen moving with them and began
18 calling out their positions to each other and to their dispatch center. On the
19 loudspeaker, officers told the Followers that they had spotted the gunmen and
20 ordered them all to leave. The commands went unheeded and the gunmen and
21 other Followers continued toward the gate.

22 132. When the Followers got to within 60 yards of the gate, they stopped –
23 then formed a human line that stretched across the bottom of the wash. There
24

1 they waited.

2 133. **M. BUNDY** led the Followers on horses into a skirmish line
3 formation across the bottom of the wash. **A. BUNDY** and his group quickly filed
4 into the line. At this point, the Followers numbered about 200, and the law
5 enforcement officers numbered about 50. The officers continued to call out any
6 gunmen they observed. They called out gunmen with "long guns" and sidearms
7 moving in and out among the unarmed Followers on foot, some of them taking
8 high ground. They called out gunmen with "long guns" moving on the bridges and
9 then disappearing. One of the officers called out that they soon would be
10 outgunned. As more gunmen moved to the wash, the officers reported that there
11 were "more guns than they could count."

12 134. The officers continued to use loudspeakers to command the gunmen
13 and other Followers to disperse. Their commands were met with angry taunts,
14 the Followers screaming at the officers, demanding that they release **BUNDY's**
15 cattle.

16 135. The officers at the gate were dangerously exposed. They were in the
17 open on low ground at the bottom of the wash, below highway bridges that
18 towered more than 40 feet above them and surrounded on the sides by steep
19 embankments of high ground. The terrain acted like a funnel with them at the
20 bottom and no natural cover or concealment to protect them from the gunmen on
21 the high ground, their only protection being their body armor and the vehicles
22 they happened to drive to the gate. At this point, approximately 40 Followers
23 were either carrying or brandishing firearms in front of the officers in the wash
24

1 while more than 20 of them carried or brandished firearms on the bridges. The
2 officers at the gate could readily observe gunmen bobbing up and down from
3 behind the concrete barriers that bordered the northbound I-15 bridge, indicating
4 to the officers that the gunmen were acquiring, and determining the range to,
5 their officer-targets. They observed armed gunmen dressed in military-style
6 tactical gear and wearing body armor, moving in and among the unarmed
7 Followers, using them as human shields to mask their movements while still
8 others took tactically superior over-watch positions on the sides of the wash.

9 136. The Followers' close proximity to the officers, their array and
10 formation in the wash, their refusal to disperse upon command, their angry
11 taunts, their numbers carrying or brandishing firearms, the movements of the
12 gunmen in and among the unarmed while brandishing assault rifles and wearing
13 body armor, and the superior position of the gunmen on the bridge above, all
14 caused the officers to fear immediate bodily harm or death.

15 137. Around 12:15 p.m. and after hearing from his officers at the gate that
16 there now were "too many guns to count" in front of them, the SAC was forced to
17 decide to give in to **BUNDY's** demands and release the cattle in order to prevent
18 death or injury to his officers and others. The SAC moved from the main entrance
19 area, down the wash and to the gate, his purpose being to find a way to create
20 space between his officers and the gunmen and other Followers so the officers
21 could safely disengage and avoid any potential bloodshed while he found a way to
22 release the cattle.

23 138. As the SAC approached the gate, he observed assault weapons
24

1 pointed at him and gunmen moving to higher ground, all causing the SAC to fear
2 immediate bodily harm or death.

3 139. When the SAC arrived at the gate, **A. BUNDY** came out from the
4 line and moved to the gate. The line of Followers advanced with him, yelling,
5 screaming, and taunting the officers as they moved, refusing to disperse as
6 ordered. The gunmen on the bridges took sniper positions, some behind the
7 concrete barriers on the bridges and others under the bridges, tucked in the
8 crevice where the bridge skirt connects to the highway.

9 140. As **A. BUNDY** moved to the gate, his gunmen in the wash moved
10 with him, openly brandishing their rifles and taking over-watch positions on the
11 high ground within full view of the tactically disadvantaged officers, the snipers
12 on the bridges now aiming their assault rifles directly at the officers below.
13 Seeing the combined force arrayed against them – an organized crowd of more
14 than 400 Followers, more than 270 of the Followers in the wash directly in front of
15 them, more than 60 gunmen among the crowd carrying or brandishing rifles or
16 pistols, 40 Followers on horseback, gunmen/snipers concealed on and under the
17 bridges above them with their rifles zeroed-in on the officers, gunmen
18 intermingled with the crowd using the unarmed Followers to shield their
19 movement, gunmen in over-watch positions on the high ground, all refusing to
20 leave, all of them there to get the cattle – the officers believed they were going to
21 be shot and killed. They were stymied – prevented from shooting the gunmen who
22 posed such an obvious threat to their lives out of concern they would spark a
23 firefight that would kill or injure unarmed people. Unable to surgically remove
24

1 the deadly threats before them, outnumbered, outgunned, and located in a
2 dangerously exposed and tactically inferior position, the officers knew they were
3 easy targets. They still held their ground.

4 141. Arriving at the gate, **A. BUNDY** and **D. BUNDY** met with the SAC
5 who explained to **A. BUNDY** and **D. BUNDY** that he would work with him to
6 release the cattle but that they first had to move their Followers back from the
7 gate so the officers could safely disengage. **A. BUNDY** and **D. BUNDY** refused
8 and demanded that the officers leave first, **A. BUNDY** stating, among other
9 things, "You need to leave . . . that's the terms . . . no, you need to leave . . . you are
10 on Nevada State property . . . the time is now . . . no, the time is now."

11 142. To prevent the disaster that was sure to follow if the officers
12 remained longer, the SAC was forced to give in to their demands and ordered his
13 officers to leave, abandoning the post, the impoundment site, and the cattle to
14 **BUNDY**.

15 143. Having been forced to meet the conspirators' demands, the SAC met
16 with **D. BUNDY** and **R. BUNDY** near the main entrance to the Impoundment
17 Site to negotiate the departure of the law enforcement officers. While the
18 Followers, including gunmen, held their position below at the gate, **R. BUNDY**
19 demanded that the SAC order his officers leave the Impoundment Site within two
20 hours.
21

22 144. Thereafter, **R. BUNDY** assumed a leadership role in ensuring that
23 the officers left the Impoundment Site quickly and then organized the Followers to
24 release the cattle.

1 145. The law enforcement officers were thus forced to abandon the
2 Impoundment Site and the cattle to the conspirators and their Followers. **R.**
3 **BUNDY, M. BUNDY,** and other Followers promptly gathered at the cattle
4 corrals, where they opened the gates to release the cattle. **M. BUNDY** then led the
5 Followers on horses to drive the cattle out of the Impoundment Site. Thereafter,
6 **A. BUNDY** directed Followers to dismantle the corrals.

7 **3. Continuing Conspiracy – Post-Assault to Indictment: The**
8 **Conspirators Organized Bodyguards, Patrols, and**
9 **Checkpoints to Prevent and Deter Future Law Enforcement**
 Actions.

10 146. It was further a part of the conspiracy that following the April 12
11 assault and extortion, the defendants took such other actions as necessary to
12 protect themselves and their ill-gotten gains and to further interfere with and
13 prevent future federal law enforcement actions on the public lands.

14 147. From April 12 to at least the end of May 2014, the defendants
15 established, organized, and maintained camps to provide housing and logistical
16 support to armed gunmen who continued to travel to the Bundy Ranch.

17 148. From April 12 to at least the end of May 2014, the defendants,
18 including **DELEMUS, CAVALIER** and **COOPER** established armed checkpoints
19 and security patrols to prevent and deter law enforcement actions against the
20 conspirators, including recovering the extorted cattle.

21 149. From April 12 to at least the end of May 2014, the defendants
22 established armed checkpoints and security patrols to prevent and deter law
23 enforcement actions against the conspirators, including recovering the extorted
24

1 cattle.

2 150. From April 12, 2014 through September 2014, the defendants made
3 statements to the SAC, threatening similar assaultive conduct in the event the
4 BLM attempted further law enforcement actions against **BUNDY** and his
5 conspirators.

6 151. From April 12, 2014 through the date of this Superseding
7 Indictment, the defendants made public statements threatening that they would
8 continue to interfere with federal law enforcement actions against them or the
9 cattle.

10 152. From April 12, 2014 through the date of this Superseding
11 Indictment, the defendants continued to employ armed body guards, including
12 **CAVALIER** and **COOPER**, to protect **BUNDY** and other conspirators from
13 federal law enforcement actions.

14 153. From April 12, 2014, through the date of this Superseding
15 Indictment, the conspirators continue to take such actions as necessary to hold,
16 protect, and prevent the impoundment of the extorted cattle and such other
17 trespass cattle that are subject to the 2013 Court Orders.
18

19 **COUNT ONE**

20 Conspiracy to Commit an Offense Against the United States
(Title 18, United States Code, Section 371)

21 154. Paragraphs 1 through 153 are incorporated herein in full.

22 155. Beginning in at least March 2014 and continuing to on or about the
23 date of this Superseding Indictment, in the State and Federal District of Nevada
24 and elsewhere,

1 CLIVEN D. BUNDY,
2 RYAN C. BUNDY,
3 AMMON E. BUNDY,
4 RYAN W. PAYNE,
5 PETER T. SANTILLI, Jr.,
6 MELVIN D. BUNDY,
7 DAVID H. BUNDY,
8 BRIAN D. CAVALIER,
9 BLAINE COOPER,
10 GERALD A. DELEMUS,
11 ERIC J. PARKER,
12 O. SCOTT DREXLER,
13 RICHARD R. LOVELIEN,
14 STEVEN A. STEWART,
15 TODD C. ENGEL,
16 GREGORY P. BURLESON,
17 JOSEPH D. O'SHAUGHNESSY,
18 MICAH L. McGUIRE, and
19 JASON D. WOODS,

20 defendants herein, did conspire, confederate and agree with each other, and with
21 others known and unknown to the Grand Jury, to commit an offense against the
22 United States, to wit:

23 a. Assault on a Federal Officer, in violation of Title 18, United
24 States Code, Section 111(a)(1) and (b);

a. Threatening a Federal Law Enforcement Officer, in violation of
Title 18, United States Code, Section 115(a)(1)(B);

c. Use and Carry of a Firearm In Relation to a Crime of Violence,
in violation of Title 18, United States Code, Section 924(c);

d. Obstruction of the Due Administration of Justice, in violation
of Title 18, United States Code, Section 1503;

e. Interference with Interstate Commerce by Extortion, in
violation of Title 18, United States Code, Section 1951; and

1 f. Interstate Travel in Aid of Extortion, in violation of Title 18,
2 United States Code, Section 1952.

3 156. In furtherance of the conspiracy, the defendants committed,
4 attempted to commit and caused to be committed, the overt acts described herein
5 and all of those comprising the offenses charged in Counts Three through Sixteen.
6 All in violation of Title 18, United States Code, Section 371.

7 **COUNT TWO**

8 Conspiracy to Impede or Injure a Federal Officer
9 (Title 18, United States Code, Section 372)

10 157. Paragraphs 1 through 153 are incorporated herein in full.

11 158. Beginning in at least March 2014 and continuing to on or about the
12 date of this Superseding Indictment, in the State and Federal District of Nevada
13 and elsewhere,

14 **CLIVEN D. BUNDY,**
15 **RYAN C. BUNDY,**
16 **AMMON E. BUNDY,**
17 **RYAN W. PAYNE,**
18 **PETER T. SANTILLI, Jr.,**
19 **MELVIN D. BUNDY,**
20 **DAVID H. BUNDY,**
21 **BRIAN D. CAVALIER,**
22 **BLAINE COOPER,**
23 **GERALD A. DELEMUS,**
24 **ERIC J. PARKER,**
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,

defendants herein, did knowingly and willfully combine, conspire, confederate,

1 and agree with each other, and with others known and unknown to the Grand
2 Jury, to prevent by force, intimidation, and threats of violence, federal law
3 enforcement officers from discharging the duties of their office under the United
4 States, and to induce by force, intimidation, and threats, federal law enforcement
5 officers to leave the place where their duties were required to be performed, that
6 is, enforcing and executing federal Court Orders to remove trespass cattle from
7 federal public lands and enforcing federal laws and regulations on federal public
8 lands in and around the Allotment.

9 All in violation of Title 18, United States Code, Section 372.

10 **COUNT THREE**

11 Use and Carry of a Firearm in Relation to a Crime of Violence
12 (Title 18, United States Code, Sections 924(c) and 2)

13 159. Paragraphs 1 through 153 are incorporated herein in full.

14 160. Beginning in at least March 2014 and continuing to on or about the
15 date of this Superseding Indictment, in the State and Federal District of Nevada,
16 and elsewhere,

17 **CLIVEN D. BUNDY,**
18 **RYAN C. BUNDY,**
19 **AMMON E. BUNDY,**
20 **RYAN W. PAYNE,**
21 **PETER T. SANTILLI, Jr.,**
22 **MELVIN D. BUNDY,**
23 **DAVID H. BUNDY,**
24 **BRIAN D. CAVALIER,**
BLAINE COOPER,
GERALD A. DELEMUS,
ERIC J. PARKER,
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,

1 **GREGORY P. BURLESON,**
2 **JOSEPH D. O'SHAUGHNESSY,**
3 **MICAH L. McGUIRE, and**
4 **JASON D. WOODS,**

5 defendants herein, aided and abetted by each other, and by others known and
6 unknown to the Grand Jury, did knowingly use and carry firearms, which were
7 brandished, during and in relation to a crime of violence for which they may be
8 prosecuted in a court of the United States, that is, conspiracy to impede and injure
9 an officer, in violation of Title 18, United States Code, Section 372, as charged in
Count Two of this Superseding Indictment.

10 All in violation of Title 18, United States Code, Sections 924(c)(1)(A)(ii) and

11 2.

12 **COUNT FOUR**

13 Assault on a Federal Officer

14 (Title 18, United States Code, Sections 111(a)(1), (b) and 2)

15 161. Paragraphs 1 through 153 are incorporated herein in full.

16 162. On or about April 9, 2014, in the State and Federal District of
Nevada, and elsewhere,

17 **CLIVEN D. BUNDY,**
18 **RYAN C. BUNDY,**
19 **AMMON E. BUNDY,**
20 **RYAN W. PAYNE,**
 PETER T. SANTILLI, Jr., and
 MELVIN D. BUNDY,

21 defendants herein, aided and abetted by each other, and by others known and
22 unknown to the Grand Jury, did use a dangerous and deadly weapon and forcibly
23 assault, resist, oppose, impede, intimidate, and interfere with federal law
24 enforcement officers and intend to forcibly assault, resist, oppose, impede,

1 intimidate, and interfere with federal law enforcement officers, while they were
2 engaged in and on the account of the performance of their official duties, that is,
3 escorting and providing security for personnel and equipment traveling in a BLM
4 convoy during impoundment operations as described herein.

5 All in violation of Title 18, United States Code, Sections 111(a)(1) and (b),
6 1114, and 2.

7 **COUNT FIVE**

8 Assault on a Federal Officer
9 (Title 18, United States Code, Sections 111(a)(1), (b) and 2)

10 163. Paragraphs 1 through 153 are incorporated herein in full.

11 164. On or about April 12, 2014, in the State and Federal District of
12 Nevada, and elsewhere,

13 **CLIVEN D. BUNDY,**
14 **RYAN C. BUNDY,**
15 **AMMON E. BUNDY,**
16 **RYAN W. PAYNE,**
17 **PETER T. SANTILLI, Jr.,**
18 **MELVIN D. BUNDY,**
19 **DAVID H. BUNDY,**
20 **BRIAN D. CAVALIER,**
21 **BLAINE COOPER,**
22 **GERALD A. DELEMUS,**
ERIC J. PARKER,
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,

23 defendants herein, aided and abetted by each other, and by others known and
24 unknown to the Grand Jury, did use a deadly and dangerous weapon and forcibly

1 assault, resist, oppose, impede, intimidate, and interfere with federal law
2 enforcement officers while they were engaged in, and on the account of, the
3 performance of their official duties, that is, guarding and protecting the
4 Impoundment Site at or near Bunkerville, Nevada, in furtherance of the execution
5 of federal Court Orders to remove cattle from the Allotment, as described herein.

6 All in violation of Title 18, United States Code, Sections 111(a)(1) and (b),
7 1114, and 2.

8 **COUNT SIX**

9 Use and Carry of a Firearm in Relation to a Crime of Violence
(Title 18, United States Code, Sections 924(c) and 2)

10 165. Paragraphs 1 through 153 are incorporated herein in full.

11 166. On or about April 12, 2014, in the State and Federal District of
12 Nevada, and elsewhere,

13 **CLIVEN D. BUNDY,**
14 **RYAN C. BUNDY,**
15 **AMMON E. BUNDY,**
16 **RYAN W. PAYNE,**
17 **PETER T. SANTILLI, Jr.,**
18 **MELVIN D. BUNDY,**
19 **DAVID H. BUNDY,**
20 **BRIAN D. CAVALIER,**
21 **BLAINE COOPER,**
22 **GERALD A. DELEMUS,**
23 **ERIC J. PARKER,**
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,

24 defendants herein, aided and abetted by each other, and by others known and

1 unknown to the Grand Jury, did knowingly use and carry a firearm, which was
2 brandished, during and in relation to a crime of violence for which they may be
3 prosecuted in a court of the United States, that is, assault on a federal officer in
4 violation of Title 18, United States Code, Section 111(a)(1) and (b), as charged in
5 Count Five of this Superseding Indictment.

6 All in violation of Title 18, United States Code, Sections 924(c)(1)(A)(ii) and
7 2.

8 **COUNT SEVEN**

9 Threatening a Federal Law Enforcement Officer
10 (Title 18, United States Code, Sections 115(a)(1)(B) and 2)

11 167. Paragraphs 1 through 153 are incorporated herein in full.

12 168. On or about April 11, 2014, in the State and Federal District of
13 Nevada, an elsewhere,

14 **CLIVEN D. BUNDY,**
15 **RYAN C. BUNDY,**
16 **AMMON E. BUNDY,**
17 **RYAN W. PAYNE, and**
18 **PETER T. SANTILLI, Jr.,**

19 defendants herein, aided and abetted by each other, and by others known and
20 unknown to the Grand Jury, did threaten to assault the SAC, a federal law
21 enforcement officer, and such other federal law enforcement officers associated
22 with impoundment operations, with the intent to impede, intimidate, and
23 interfere with said law enforcement officers while engaged in the performance of
24 their official duties and with the intent to retaliate against said law enforcement
officers on account of the performance of their duties, in that **SANTILLI**
confronted the SAC at the Impoundment Site, threatening with words and actions

1 to the effect that thousands would confront the officers with the potential for
2 violence, as described herein.

3 All in violation of Title 18, United States Code, Sections 115(a)(1)(B) and 2.

4 **COUNT EIGHT**

5 Threatening a Federal Law Enforcement Officer
6 (Title 18, United States Code, Sections 115(a)(1)(B) and 2)

7 169. Paragraphs 1 through 153 are incorporated herein in full.

8 170. On or about April 12, 2014, in the State and Federal District of
9 Nevada, an elsewhere,

10 **CLIVEN D. BUNDY,**
11 **RYAN C. BUNDY,**
12 **AMMON E. BUNDY,**
13 **RYAN W. PAYNE,**
14 **PETER T. SANTILLI, Jr.,**
15 **MELVIN D. BUNDY,**
16 **DAVID H. BUNDY,**
17 **BRIAN D. CAVALIER,**
18 **BLAINE COOPER,**
19 **GERALD A. DELEMUS,**
20 **ERIC J. PARKER,**
21 **O. SCOTT DREXLER,**
22 **RICHARD R. LOVELIEN,**
23 **STEVEN A. STEWART,**
24 **TODD C. ENGEL,**
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,

20 defendants herein, aided and abetted by each other, and by others known and
21 unknown to the Grand Jury, did threaten to assault the SAC, a federal law
22 enforcement officer, and such other federal law enforcement officers associated
23 with impoundment operations, with the intent to impede, intimidate, and
24

1 interfere with said law enforcement officers while they were engaged in the
2 performance of their official duties and with the intent to retaliate against said
3 law enforcement officers on account of the performance of their duties, that is,
4 guarding and protecting the Impoundment Site in furtherance of the execution of
5 federal Court Orders to remove cattle from the Allotment as described herein.

6 All in violation of Title 18, United States Code, Sections 115(a)(1)(B) and 2.

7 **COUNT NINE**

8 Use and Carry of a Firearm in Relation to a Crime of Violence
9 (Title 18, United States Code, Sections 924(c) and 2)

10 171. Paragraphs 1 through 153 are incorporated herein in full.

11 172. On or about April 12, 2014, in the State and Federal District of
12 Nevada, and elsewhere,

13 **CLIVEN D. BUNDY,**
14 **RYAN C. BUNDY,**
15 **AMMON E. BUNDY,**
16 **RYAN W. PAYNE,**
17 **PETER T. SANTILLI, Jr.,**
18 **MELVIN D. BUNDY,**
19 **DAVID H. BUNDY,**
20 **BRIAN D. CAVALIER,**
21 **BLAINE COOPER,**
22 **GERALD A. DELEMUS,**
ERIC J. PARKER,
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,

23 defendants herein, aided and abetted by each other, and by others known and
24 unknown to the grand jury, did knowingly use and carry firearms, which were

1 brandished, during and in relation to a crime of violence for which they may be
2 prosecuted in a court of the United States, that is, threatening a federal law
3 enforcement officer, in violation of Title 18, United States Code, Section
4 115(a)(1)(B), as charged in Count Eight of this Superseding Indictment.

5 All in violation of Title 18, United States Code, Sections 924(c)(1)(A)(ii) and 2.

6 **COUNT TEN**

7 Obstruction of the Due Administration of Justice
8 (Title 18, United States Code, Sections 1503 and 2)

9 173. Paragraphs 1 through 153 are incorporated herein in full.

10 174. On or about April 6, 2014, in the State and Federal District of
11 Nevada and elsewhere,

12 **CLIVEN D. BUNDY,**
13 **RYAN C. BUNDY,**
14 **AMMON E. BUNDY,**
15 **RYAN W. PAYNE,**
16 **PETER T. SANTILLI, Jr., and**
17 **DAVID H. BUNDY,**

18 defendants herein, aided and abetted by each other, and by others known and
19 unknown to the Grand Jury, did corruptly, and by threats and force, and by
20 threatening communications, influence, obstruct, and impede, and attempt to
21 influence, obstruct, and impede, the due administration of justice, in that the
22 defendants threatened to impede the execution of federal Court Orders when **R.**
23 **BUNDY, D. BUNDY,** and others working with them, attempted to impede and
24 obstruct a BLM convoy at or near Nevada State Route 170 while the convoy was
engaged impoundment operations, as described herein.

All in violation of Title 18, United States Code, Sections 1503 and 2.

COUNT ELEVEN

Obstruction of the Due Administration of Justice
(Title 18, United States Code, Sections 1503 and 2)

175. Paragraphs 1 through 153 are incorporated herein in full.

176. On or about April 9, 2014, in the State and Federal District of Nevada and elsewhere,

**CLIVEN D. BUNDY,
RYAN C. BUNDY,
AMMON E. BUNDY,
RYAN W. PAYNE,
PETER T. SANTILLI, Jr., and
MELVIN D. BUNDY,**

defendants herein, aided and abetted by each other, and by others known and unknown to the Grand Jury, did corruptly, and by threats and force, and by threatening communications, influence, obstruct, and impede, and attempt to influence, obstruct, and impede, the due administration of justice, in that the defendants threatened force and violence and used force and violence to impede and thwart the execution of federal Court Orders, in that the defendants did impede and obstruct, and attempt to impede and obstruct, a BLM convoy while it was engaged in impoundment operations near Nevada State Route 170, as described herein.

All in violation of Title 18, United States Code, Sections 1503 and 2.

COUNT TWELVE

Obstruction of the Due Administration of Justice
(Title 18, United States Code, Sections 1503 and 2)

177. Paragraphs 1 through 153 are incorporated herein in full.

178. On or about April 12, 2014, in the State and Federal District of

1 Nevada,

2 **CLIVEN D. BUNDY,**
3 **RYAN C. BUNDY,**
4 **AMMON E. BUNDY,**
5 **RYAN W. PAYNE,**
6 **PETER T. SANTILLI, Jr.,**
7 **MELVIN D. BUNDY,**
8 **DAVID H. BUNDY,**
9 **BRIAN D. CAVALIER,**
10 **BLAINE COOPER,**
11 **GERALD A. DELEMUS,**
12 **ERIC J. PARKER,**
13 **O. SCOTT DREXLER,**
14 **RICHARD R. LOVELIEN,**
15 **STEVEN A. STEWART,**
16 **TODD C. ENGEL,**
17 **GREGORY P. BURLESON,**
18 **JOSEPH D. O'SHAUGHNESSY,**
19 **MICAH L. McGUIRE, and**
20 **JASON D. WOODS,**

21 defendants herein, aided and abetted by each other, and by others known and
22 unknown to the Grand Jury, did corruptly, and by threats and force, and by
23 threatening communications, influence, obstruct, and impede, and attempt to
24 influence, obstruct, and impede, the due administration of justice, in that the
defendants threatened force and violence and used force and violence to impede,
obstruct and thwart the execution of federal Court Orders by assaulting and
extorting federal officers at the Impoundment Site, as described herein.

All in violation of Title 18, United States Code, Sections 1503 and 2.

COUNT THIRTEEN

Interference with Interstate Commerce by Extortion
(Title 18, United States Code, Sections 1951 and 2)

179. Paragraphs 1 through 153 are incorporated herein in full.

180. On or about April 2 and 9, 2014, in the State and Federal District of

1 Nevada, and elsewhere,

2 **CLIVEN D. BUNDY,**
3 **RYAN C. BUNDY,**
4 **AMMON E. BUNDY,**
5 **RYAN W. PAYNE,**
6 **PETER T. SANTILLI, Jr., and**
7 **MELVIN D. BUNDY,**

8 defendants herein, aided and abetted by each other, and by others known and
9 unknown to the Grand Jury, did obstruct, delay and affect commerce, and attempt
10 to obstruct, delay and affect commerce, and the movement of articles and
11 commodities in such commerce, by extortion, as those terms are defined in Title
12 18, United States Code, Section 1951, in that the defendants attempted to obtain
13 impounded cattle in the care, custody, and possession of a contract auctioneer in
14 Utah, with his or her consent having been induced by the wrongful use of force,
15 violence, and fear, including fear of economic loss, as described herein.

16 All in violation of Title 18, United States Code, Sections 1951(a) and 2.

17 **COUNT FOURTEEN**

18 Interference with Interstate Commerce by Extortion
19 (Title 18, United States Code, Sections 1951 and 2)

20 181. Paragraphs 1 through 153 are incorporated herein in full.

21 182. On or about April 12, 2014, in the Federal District of Nevada, and
22 elsewhere,

23 **CLIVEN D. BUNDY,**
24 **RYAN C. BUNDY,**
AMMON E. BUNDY,
RYAN W. PAYNE,
PETER T. SANTILLI, Jr.,
MELVIN D. BUNDY,
DAVID H. BUNDY,
BRIAN D. CAVALIER,

1 **BLAINE COOPER,**
2 **GERALD A. DELEMUS,**
3 **ERIC J. PARKER,**
4 **O. SCOTT DREXLER,**
5 **RICHARD R. LOVELIEN,**
6 **STEVEN A. STEWART,**
7 **TODD C. ENGEL,**
8 **GREGORY P. BURLESON,**
9 **JOSEPH D. O'SHAUGHNESSY,**
10 **MICAH L. McGUIRE, and**
11 **JASON D. WOODS,**

12 defendants herein, aided and abetted by each other, and by others known and
13 unknown to the Grand Jury, did obstruct, delay and affect commerce, and attempt
14 to obstruct, delay and affect commerce, and the movement of articles and
15 commodities in such commerce, by extortion, as those terms are defined in Title
16 18, United States Code, Section 1951, in that the defendants did obtain, and
17 attempt to obtain, approximately 400 head of cattle at or near Bunkerville,
18 Nevada, from the care, custody, and possession of the SAC and such other federal
19 law enforcement officers engaged in impoundment operations, with their consent
20 having been induced by the wrongful use of force, violence, and fear as described
21 herein.

22 All in violation of Title 18, United States Code, Sections 1951(a) and 2.

23 **COUNT FIFTEEN**

24 Use and Carry of a Firearm in Relation to a Crime of Violence
 (Title 18, United States Code, Sections 924(c) and 2)

183. Paragraphs 1 through 153 are incorporated herein in full.

184. On or about April 12, 2014, in the State and Federal District of
Nevada and elsewhere,

1 **CLIVEN D. BUNDY,**
2 **RYAN C. BUNDY,**
3 **AMMON E. BUNDY,**
4 **RYAN W. PAYNE,**
5 **PETER T. SANTILLI, Jr.,**
6 **MELVIN D. BUNDY,**
7 **DAVID H. BUNDY,**
8 **BRIAN D. CAVALIER,**
9 **BLAINE COOPER,**
10 **GERALD A. DELEMUS,**
11 **ERIC J. PARKER,**
12 **O. SCOTT DREXLER,**
13 **RICHARD R. LOVELIEN,**
14 **STEVEN A. STEWART,**
15 **TODD C. ENGEL,**
16 **GREGORY P. BURLESON,**
17 **JOSEPH D. O'SHAUGHNESSY,**
18 **MICAH L. McGUIRE, and**
19 **JASON D. WOODS,**

20 defendants herein, aided and abetted by each other, and by others known and
21 unknown to the grand jury, did knowingly use and carry firearms, which were
22 brandished, during and in relation to a crime of violence for which they may be
23 prosecuted in a court of the United States, that is, interference with interstate
24 commerce by extortion, in violation of Title 18, United States Code, Section 1951,
as charged in Count Fourteen of this Superseding Indictment.

All in violation of Title 18, United States Code, Sections 924(c)(1)(A)(ii) and

2.

COUNT SIXTEEN

Interstate Travel in Aid of Extortion
(Title 18, United States Code, Sections 1952 and 2)

185. Paragraphs 1 through 153 are incorporated herein in full.

186. On or about and between April 5 and April 12, 2014, in the Federal

1 District of Nevada and elsewhere,

2 **CLIVEN D. BUNDY,**
3 **RYAN C. BUNDY,**
4 **AMMON E. BUNDY,**
5 **RYAN W. PAYNE,**
6 **PETER T. SANTILLI, Jr.,**
7 **MELVIN D. BUNDY,**
8 **DAVID H. BUNDY,**
9 **BRIAN D. CAVALIER,**
10 **BLAINE COOPER,**
11 **GERALD A. DELEMUS,**
12 **ERIC J. PARKER,**
13 **O. SCOTT DREXLER,**
14 **RICHARD R. LOVELIEN,**
15 **STEVEN A. STEWART,**
16 **TODD C. ENGEL,**
17 **GREGORY P. BURLESON,**
18 **JOSEPH D. O'SHAUGHNESSY,**
19 **MICAH L. McGUIRE, and**
20 **JASON D. WOODS,**

21 defendants herein, aided and abetted by each other, and by others known and
22 unknown to the Grand Jury, traveled in interstate commerce and willfully used a
23 facility in interstate commerce, namely the internet or worldwide web, with the
24 intent to commit a crime of violence to further an unlawful activity, that is,
extortion in violation of Title 18, United States Code, Section 1951(a) and Nevada
Revised Statute 205.320, and thereafter committed, and attempted to commit, the
crime of violence to further such unlawful activity.

All in violation of Title 18, United States Code, Sections 1952(a)(2) and 2.

FORFEITURE ALLEGATION ONE

(Conspiracy to Commit an Offense Against the United States; Conspiracy to Impede and Injure a Federal Officer; Use and Carry of a Firearm in Relation to a Crime of Violence; Assault on a Federal Officer; Threatening a Federal Law Enforcement Officer; Obstruction of the Due Administration of Justice; Interference with Interstate Commerce by Extortion; and Interstate Travel in Aid of Extortion)

1. The allegations contained in Counts One through Sixteen of this Superseding Criminal Indictment are hereby re-alleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 924(d)(1) with Title 28, United States Code, Section 2461(c).

2. Upon conviction of any of the felony offenses charged in Counts One through Sixteen of this Superseding Criminal Indictment,

**CLIVEN D. BUNDY,
RYAN C. BUNDY,
AMMON E. BUNDY,
RYAN W. PAYNE,
PETER T. SANTILLI, Jr.,
MELVIN D. BUNDY,
DAVID H. BUNDY,
BRIAN D. CAVALIER,
BLAINE COOPER,
GERALD A. DELEMUS,
ERIC J. PARKER,
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,**

defendants herein, shall forfeit to the United States of America, any firearm or ammunition involved in or used in any knowing violation of Title 18, United States Code, Section 924(c), or any violation of any other criminal law of the

1 United States, Title 18, United States Code, Sections 371, 372, 111(a)(1),
2 115(a)(1), 1503, 1951, and 1952: any firearm or ammunition possessed by the
3 above-named defendants on April 12, 2014, at Impoundment Site near
4 Bunkerville, Nevada, including but not limited to the firearms possessed by
5 **CLIVEN D. BUNDY, RYAN C. BUNDY, AMMON E. BUNDY, RYAN W.**
6 **PAYNE, PETER T. SANTILLI, JR., BRIAN CAVALIER, GERALD**
7 **DELEMUS, ERIC J. PARKER, O. SCOTT DREXLER, RICHARD**
8 **LOVELIEN, STEVEN A. STEWART, TODD C. ENGEL, GREGORY**
9 **BURLESON, JOSEPH O'SHAUGHNESSY, MICAH MCGUIRE, and JASON**
10 **WOODS.**

11 All pursuant to Title 18, United States Code, Section 924(d)(1) with Title
12 28, United States Code, Section 2461(c) and Title 18, United States Code, Sections
13 924(c), 371, 372, 111(a)(1), 115(a)(1), 1503, 1951, and 1952.

14 **FORFEITURE ALLEGATION TWO**

15 (Conspiracy to Commit an Offense Against the United States; Conspiracy to
16 Impede and Injure a Federal Officer; Use and Carry of a Firearm in Relation to a
17 Crime of Violence; Assault on a Federal Officer; Threatening a Federal Law
18 Enforcement Officer; Obstruction of the Due Administration of Justice;
19 Interference with Interstate Commerce by Extortion; and Interstate Travel in Aid
20 of Extortion)

21 3. The allegations contained in Counts One through Sixteen of this
22 Superseding Criminal Indictment are hereby re-alleged and incorporated herein
23 by reference for the purpose of alleging forfeiture pursuant to Title 18, United
24 States Code, Section 924(d)(1), (2)(C), and (3)(A) with Title 28, United States Code,
Section 2461(c).

1 4. Upon conviction of any of the felony offenses charged in Counts One
2 through Sixteen of this Superseding Criminal Indictment,

3 **CLIVEN D. BUNDY,**
4 **RYAN C. BUNDY,**
5 **AMMON E. BUNDY,**
6 **RYAN W. PAYNE,**
7 **PETER T. SANTILLI, Jr.,**
8 **MELVIN D. BUNDY,**
9 **DAVID H. BUNDY,**
10 **BRIAN D. CAVALIER,**
11 **BLAINE COOPER,**
12 **GERALD A. DELEMUS,**
13 **ERIC J. PARKER,**
14 **O. SCOTT DREXLER,**
15 **RICHARD R. LOVELIEN,**
16 **STEVEN A. STEWART,**
17 **TODD C. ENGEL,**
18 **GREGORY P. BURLESON,**
19 **JOSEPH D. O'SHAUGHNESSY,**
20 **MICAH L. McGUIRE, and**
21 **JASON D. WOODS,**

22 defendants herein, shall forfeit to the United States of America, any firearm or
23 ammunition intended to be used in any crime of violence, Title 18, United States
24 Code, Sections 371, 372, 111(a)(1), 115(a)(1), 924(c), 1503, 1951, and 1952: any
firearm or ammunition possessed by the above-named defendants on April 12,
2014, at Impoundment Site near Bunkerville, Nevada, including but not limited to
the firearms possessed by **CLIVEN D. BUNDY, RYAN C. BUNDY, AMMON E.
BUNDY, RYAN W. PAYNE, PETER T. SANTILLI, JR., BRIAN CAVALIER,
GERALD DELEMUS, ERIC J. PARKER, O. SCOTT DREXLER, RICHARD
LOVELIEN, STEVEN A. STEWART, TODD C. ENGEL, GREGORY
BURLESON, JOSEPH O'SHAUGHNESSY, MICAH MCGUIRE and JASON
WOODS.**

1 All pursuant to Title 18, United States Code, Section 924(d)(1), (2)(C), and
2 (3)(A) with Title 28, United States Code, Section 2461(c) and Title 18, United
3 States Code, Sections 371, 372, 111(a)(1), 115(a)(1), 924(c), 1503, 1951, and 1952.

4 **FORFEITURE ALLEGATION THREE**

5 (Conspiracy to Commit an Offense Against the United States and
6 Threatening a Federal Law Enforcement Officer)

7 5. The allegations contained in Counts One, Seven, and Eight of this
8 Superseding Criminal Indictment are hereby re-alleged and incorporated herein
9 by reference for the purpose of alleging forfeiture pursuant to Title 18, United
10 States Code, Section 981(a)(1)(C) with Title 28, United States Code, Section
11 2461(c).

12 6. Upon conviction of any of the felony offenses charged in Counts One,
13 Seven, and Eight of this Superseding Criminal Indictment,

14 **CLIVEN D. BUNDY,**
15 **RYAN C. BUNDY,**
16 **AMMON E. BUNDY,**
17 **RYAN W. PAYNE,**
18 **PETER T. SANTILLI, Jr.,**
19 **MELVIN D. BUNDY,**
20 **DAVID H. BUNDY,**
21 **BRIAN D. CAVALIER,**
22 **BLAINE COOPER,**
23 **GERALD A. DELEMUS,**
24 **ERIC J. PARKER,**
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,

1 defendants herein, shall forfeit to the United States of America, any property, real
2 or personal, which constitutes or is derived from proceeds traceable to violations of
3 Title 18, United States Code, Section 115(a)(1), a specified unlawful activity as
4 defined in Title 18, United States Code, Sections 1956(c)(7)(D), or Title 18, United
5 States Code, Section 371, conspiracy to commit such offense, an *in personam*
6 criminal forfeiture money judgment, including, but not limited to, at least
7 \$3,000,000 in United States Currency, including any and all cattle on the
8 Bunkerville Allotment and Lake Mead National Recreational Area (property).

9 7. If any property subject to forfeiture pursuant to Title 18, United States
10 Code, Section 981(a)(1)(C) with Title 28, United States Code, Section 2461(c), as a
11 result of any act or omission of the defendants:

- 12 a. cannot be located upon the exercise of due diligence;
13 b. has been transferred or sold to, or deposited with, a third party;
14 c. has been placed beyond the jurisdiction of the court;
15 d. has been substantially diminished in value; or
16 e. has been commingled with other property which cannot be divided
17 without difficulty.

18
19 it is the intent of the United States of America, pursuant to Title 21, United
20 States Code, Section 853(p), to seek forfeiture of any properties of the defendants
21 for the property listed above and the *in personam* criminal forfeiture money
22 judgment including, but not limited to, at least \$3,000,000 in United States
23 Currency.
24

1 All pursuant to Title 18, United States Code, Section 981(a)(1)(C) with Title
2 28, United States Code, Section 2461(c); Title 18, United States Code, Sections 371
3 and 115(a)(1); and Title 21, United States Code, Section 853(p).

4 **FORFEITURE ALLEGATION FOUR**

5 (Conspiracy to Commit an Offense Against the United States and Obstruction of
6 the Due Administration of Justice)

7 8. The allegations contained in Counts One and Ten through Twelve of this
8 Superseding Criminal Indictment are hereby re-alleged and incorporated herein
9 by reference for the purpose of alleging forfeiture pursuant to Title 18, United
10 States Code, Section 981(a)(1)(C) with Title 28, United States Code, Section
11 2461(c).

12 9. Upon conviction of any of the felony offenses charged in Counts One and
13 Ten through Twelve of this Superseding Criminal Indictment,

14 **CLIVEN D. BUNDY,**
15 **RYAN C. BUNDY,**
16 **AMMON E. BUNDY,**
17 **RYAN W. PAYNE,**
18 **PETER T. SANTILLI, Jr.,**
19 **MELVIN D. BUNDY,**
20 **DAVID H. BUNDY,**
21 **BRIAN D. CAVALIER,**
22 **BLAINE COOPER,**
23 **GERALD A. DELEMUS,**
24 **ERIC J. PARKER,**
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,

1 defendants herein, shall forfeit to the United States of America, any property, real
2 or personal, which constitutes or is derived from proceeds traceable to violations of
3 Title 18, United States Code, Section 1503, a specified unlawful activity as defined
4 in Title 18, United States Code, Sections 1956(c)(7)(A) and 1961(1)(B), or Title 18,
5 United States Code, Section 371, conspiracy to commit such offense, an *in*
6 *personam* criminal forfeiture money judgment, including, but not limited to, at
7 least \$3,000,000 in United States Currency, including any and all cattle on the
8 Bunkerville Allotment and Lake Mead National Recreational Area (property).

9 10. If any property subject to forfeiture pursuant to Title 18, United States
10 Code, Section 981(a)(1)(C) with Title 28, United States Code, Section 2461(c), as a
11 result of any act or omission of the defendants:

- 12 a. cannot be located upon the exercise of due diligence;
- 13 b. has been transferred or sold to, or deposited with, a third party;
- 14 c. has been placed beyond the jurisdiction of the court;
- 15 d. has been substantially diminished in value; or
- 16 e. has been commingled with other property which cannot be divided
17 without difficulty;

18
19 it is the intent of the United States of America, pursuant to Title 21, United
20 States Code, Section 853(p), to seek forfeiture of any properties of the defendants
21 for the
22 property listed above and the *in personam* criminal forfeiture money judgment
23 including, but not limited to, at least \$3,000,000 in United States Currency.
24

1 All pursuant to Title 18, United States Code, Section 981(a)(1)(C) with Title
2 28, United States Code, Section 2461(c); Title 18, United States Code, Sections 371
3 and 1503; and Title 21, United States Code, Section 853(p).

4 **FORFEITURE ALLEGATION FIVE**

5 (Conspiracy to Commit an Offense Against the United States; Interference with
6 Interstate Commerce by Extortion; and Interstate Travel in Aid of Extortion)

7 11. The allegations contained in Counts One, Thirteen, Fourteen, and
8 Sixteen of this Superseding Criminal Indictment are hereby re-alleged and
9 incorporated herein by reference for the purpose of alleging forfeiture pursuant to
10 Title 18, United States Code, Section 981(a)(1)(C) with Title 28, United States
11 Code, Section 2461(c).

12 12. Upon conviction of any of the felony offenses charged in Counts One,
13 Thirteen, Fourteen, and Sixteen of this Superseding Criminal Indictment,

14 **CLIVEN D. BUNDY,**
15 **RYAN C. BUNDY,**
16 **AMMON E. BUNDY,**
17 **RYAN W. PAYNE,**
18 **PETER T. SANTILLI, Jr.,**
19 **MELVIN D. BUNDY,**
20 **DAVID H. BUNDY,**
21 **BRIAN D. CAVALIER,**
22 **BLAINE COOPER,**
23 **GERALD A. DELEMUS,**
24 **ERIC J. PARKER,**
O. SCOTT DREXLER,
RICHARD R. LOVELIEN,
STEVEN A. STEWART,
TODD C. ENGEL,
GREGORY P. BURLESON,
JOSEPH D. O'SHAUGHNESSY,
MICAH L. McGUIRE, and
JASON D. WOODS,

1 defendants herein, shall forfeit to the United States of America, any property, real
2 or personal, which constitutes or is derived from proceeds traceable to violations of
3 Title 18, United States Code, Sections 1951 and 1952 and Nevada Revised Statute
4 205.320, specified unlawful activities as defined in Title 18, United States Code,
5 Sections 1956(c)(7)(A) and 1961(1)(A) and (1)(B), or Title 18, United States Code,
6 Section 371, conspiracy to commit such offenses, an *in personam* criminal
7 forfeiture money judgment, including, but not limited to, at least \$3,000,000 in
8 United States Currency, including any and all cattle on the Bunkerville Allotment
9 and Lake Mead National Recreational Area (property).

10 13. If any property subject to forfeiture pursuant to Title 18, United States
11 Code, Section 981(a)(1)(C) with Title 28, United States Code, Section 2461(c), as a
12 result of any act or omission of the defendants:

- 13 a. cannot be located upon the exercise of due diligence;
- 14 b. has been transferred or sold to, or deposited with, a third party;
- 15 c. has been placed beyond the jurisdiction of the court;
- 16 d. has been substantially diminished in value; or
- 17 e. has been commingled with other property which cannot be divided
18 without difficulty;
- 19

20 it is the intent of the United States of America, pursuant to Title 21, United
21 States Code, Section 853(p), to seek forfeiture of any properties of the defendants
22 for the property listed above and the *in personam* criminal forfeiture money
23 judgment including, but not limited to, at least \$3,000,000 in United States
24 Currency.

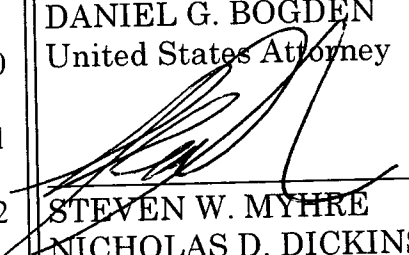
1 All pursuant to Title 18, United States Code, Section 981(a)(1)(C) with Title
2 28, United States Code, Section 2461(c); Title 18, United States Code, Sections
3 371, 1951, and 1952; Nevada Revised Statute 205.320; and Title 21, United States
4 Code, Section 853(p).

5 DATED: this 2nd day of March, 2016.

6 A TRUE BILL:

7 _____ /s/
8 FOREPERSON OF THE GRAND JURY

9 DANIEL G. BOGDEN
10 United States Attorney

11 
12 STEVEN W. MYHRE
13 NICHOLAS D. DICKINSON
14 Assistant United States Attorneys
15 NADIA J. AHMED
16 ERIN M. CREEGAN
17 Special Assistant United States Attorneys
18 Attorneys for the United States.
19
20
21
22
23
24

Trial Pros: Snell & Wilmer's Matt Lalli

Law360, New York (May 18, 2016, 11:13 AM ET) -- Matthew L. Lalli is a litigation and trial attorney at Snell & Wilmer LLP, licensed in California and Utah. He has tried dozens of cases to juries, judges and arbitrators in Utah, California, Nevada and other states. He is primarily a defense lawyer, but some of his best cases have been on the plaintiff's side, including a \$175 million jury verdict. His experience includes cases involving fraud, Ponzi schemes, corporate and partnership control, professional liability, real estate development, insurance bad faith and general contract and business tort disputes. He defends a lot of lawyers in legal malpractice cases, which are particularly rewarding.



Matthew L. Lalli

Q: What's the most interesting trial you've worked on and why?

A: I represented a large condominium-hotel on the Las Vegas strip in fending off lawsuits by some 2,000 buyers of condo-hotel units who purchased on a preconstruction basis in 2005 when the market was hot. By 2009, they were looking for any way possible to get out of their contracts and avoid the consequences of the Great Recession. The plaintiffs' theories were many and varied, ranging from "there wasn't enough sound insulation in the walls" to "the tile was set in a horizontal pattern rather than a diagonal one." The cast of characters was legendary, including Las Vegas show producers, television celebrities, brilliant executives, some great lawyers and some reminiscent of Better Call Saul as well as ordinary Joes and Janes. And of course it was Las Vegas, probably the only place in the world where I could be riding down the hotel elevator at 5 a.m. for a pretrial workout and find myself sharing the ride with late night/early morning revelers dressed as naughty pirates. We tried and won a half-dozen cases involving 10-15 different buyers, following which everyone else settled on our terms.

Q: What's the most unexpected or amusing thing you've experienced while working on a trial?

A: I am sitting next to my client, Fred, at the defense table when plaintiffs counsel begins closing argument at the end of a particularly expensive, emotional, long and contentious lawsuit. Plaintiffs counsel says, "Isn't it wonderful that we have such a civilized place for resolving business disputes. We come into this stately courtroom with a learned judge applying well-organized rules of procedure, evidence and law. Skilled lawyers present their cases and then turn the decision-making over to a jury of dedicated citizens fulfilling their sacred public duties. I'm sure Fred would rather be held accountable in such a forum than have [plaintiff] take him out into the streets of San Francisco and beat him to a pulp." Fred, without missing a beat, taps me on the shoulder and whispers in my ear, "Can I have that deal?" The jury returned a complete defense verdict a few hours later, but I think Fred still may have preferred the beating.

Q: What does your trial prep routine consist of?

A: Nothing makes me crazier than getting out of my daily routine, so I definitely have one for trial preparation.

I begin during discovery preparing case theme outlines containing detailed story lines for both sides of the case. It is a work in progress until the time of trial. I not only want to know and live with my case for a long time, but my opponent's case as well.

I start early on the jury instructions and special verdict form if it is a jury trial, and by early I don't mean early in the morning on the day the case goes to the jury.

If the client is willing to pay, I prefer to test my trial themes in a mock trial.

Using the case theme outline, I prepare an opening statement telling a simple story and highlighting key themes and pieces of evidence and usually a timeline.

I personally prepare a witness outline for each witness, which begins with a list of bullet points I want to establish through each witness, and then I fill in the outline with three-to-five questions building to each point. I don't always follow the outline, but preparing it is invaluable.

I review all of the exhibits and key points of testimony from the depositions and make sure I fit them into the appropriate witness outlines.

I sit down with each witness for a preparation session before he/she testifies.

I begin preparing closing argument on the first day of trial, making notes and creating an outline on my laptop as the trial progresses.

I also revise witness outlines on my laptop throughout the trial to adapt my case as necessary.

I try to deliver a thorough but focused closing argument.

Throughout trial, I have a stack of post-it notes on which my second-chair is instructed to write the words "be nice" whenever I start to show too much contempt for the opposing witnesses. I also have two tins of Altoids at counsel table, one peppermint and one cinnamon. Absolutely imperative.


Q: If you could give just one piece of advice to a lawyer on the eve of their first trial, what would it be?

A: Trial is 80 percent preparation and 20 percent thinking and acting on your feet. If you haven't prepared, you are toast. If you have, trust your preparation and yourself for the 20 percent you'll make up as you go. Don't try to adopt someone else's style, just be yourself. As one example, a plaintiff had just explained at the end of direct examination how he had been harmed because he hadn't been able to fly his new helicopter or ride his new Harley Davidson since he'd been in litigation. I pounced to the lectern and began cross-examination by announcing that I'd be happy to take the Harley off his hands. I'm normally pretty intense, but this diversion made the jury laugh, the plaintiff softened, and he was mine for the rest of cross-examination.

Q: Name a trial attorney, outside your own firm, who has impressed you and tell us why.

A: Mark Smith, a young partner at Latham & Watkins in the late 80s and early 90s. He had the most incisive legal mind I've ever encountered and could get to points and issues in an immediate and direct way while the rest of us would circle around for hours before we landed on the same point. He could say more in three sentences than most lawyers can say in 30 pages. Characteristically, he provided true — though sometimes brutal — mentoring advice, ranging from write like an advocate rather than a judge to "don't be a passive receptacle for receiving instructions." One highlight trial moment was when he delivered the best cross-examination of an expert I've ever seen. The expert, who happened to be economist/film star/television commentator Ben Stein, had testified for several hours on the standard of care for investment bankers when Mark got up and trivialized his testimony with a single question, "So are you saying your expert opinion is that investment bankers should not lie to their clients?" Mr. Stein thoughtfully answered, "Yes." Mark immediately sat down, and the jury laughed out loud. Tragically, Mark's legal career was cut short by an auto accident that left his incredible brain permanently damaged.

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FBA: Tri-state Bar Conference
Smart on Crime and Specialty Courts

Panelists:

The Honorable Paul M. Warner, United States
Magistrate Judge, District of Utah

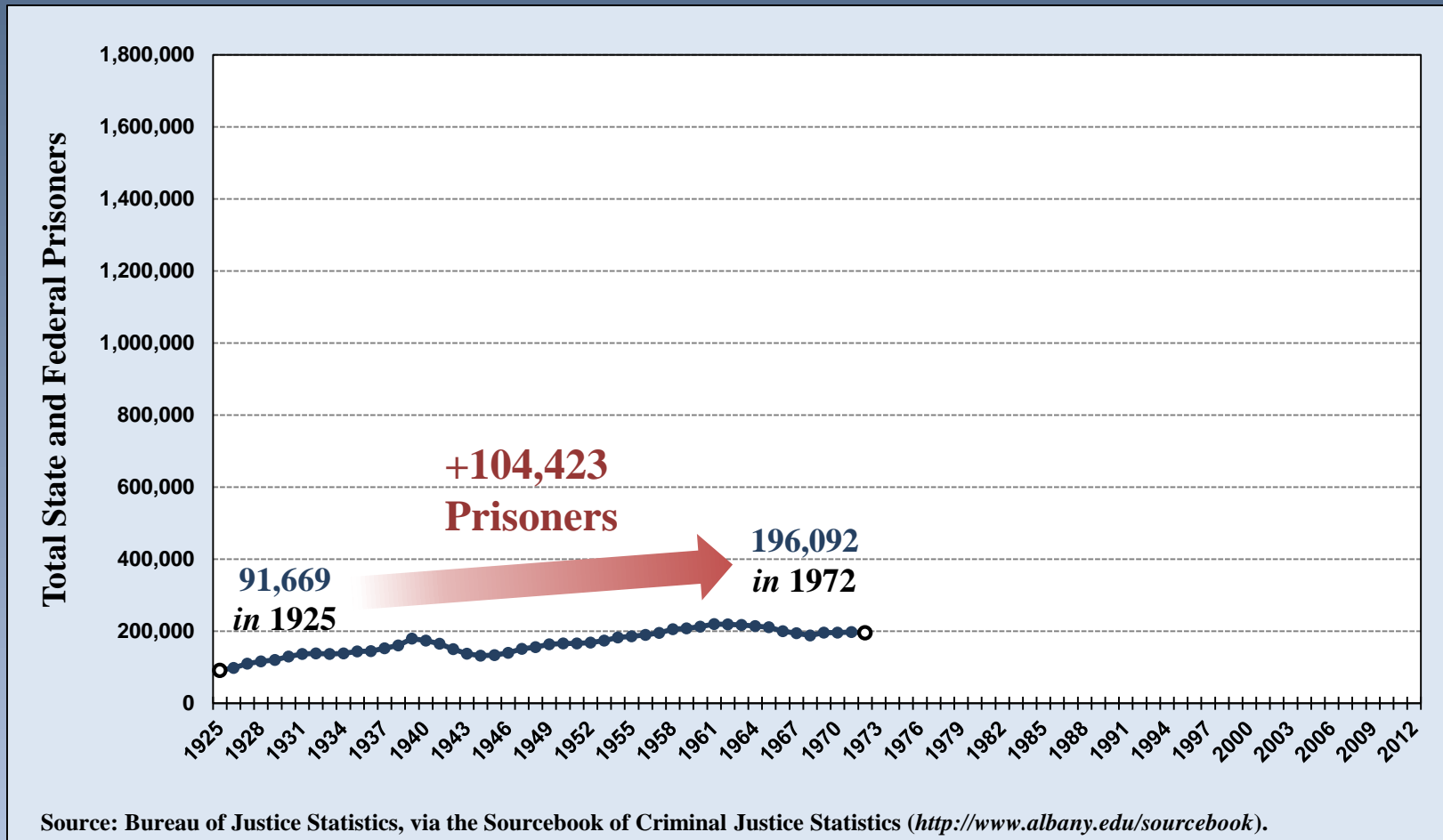
Kathryn N. Nester, Federal Public Defender,
District of Utah

Rafael M. Gonzalez, Jr., First Assistant U.S.
Attorney, District of Idaho

Original Slides by Jonathan Wroblewski,
Principal Deputy Assistant Attorney General
Office of Legal Policy, U.S. Department of
Justice

The Early Years: Overall Prison Population 1925 - 1972

Total Sentenced State and Federal Prisoners

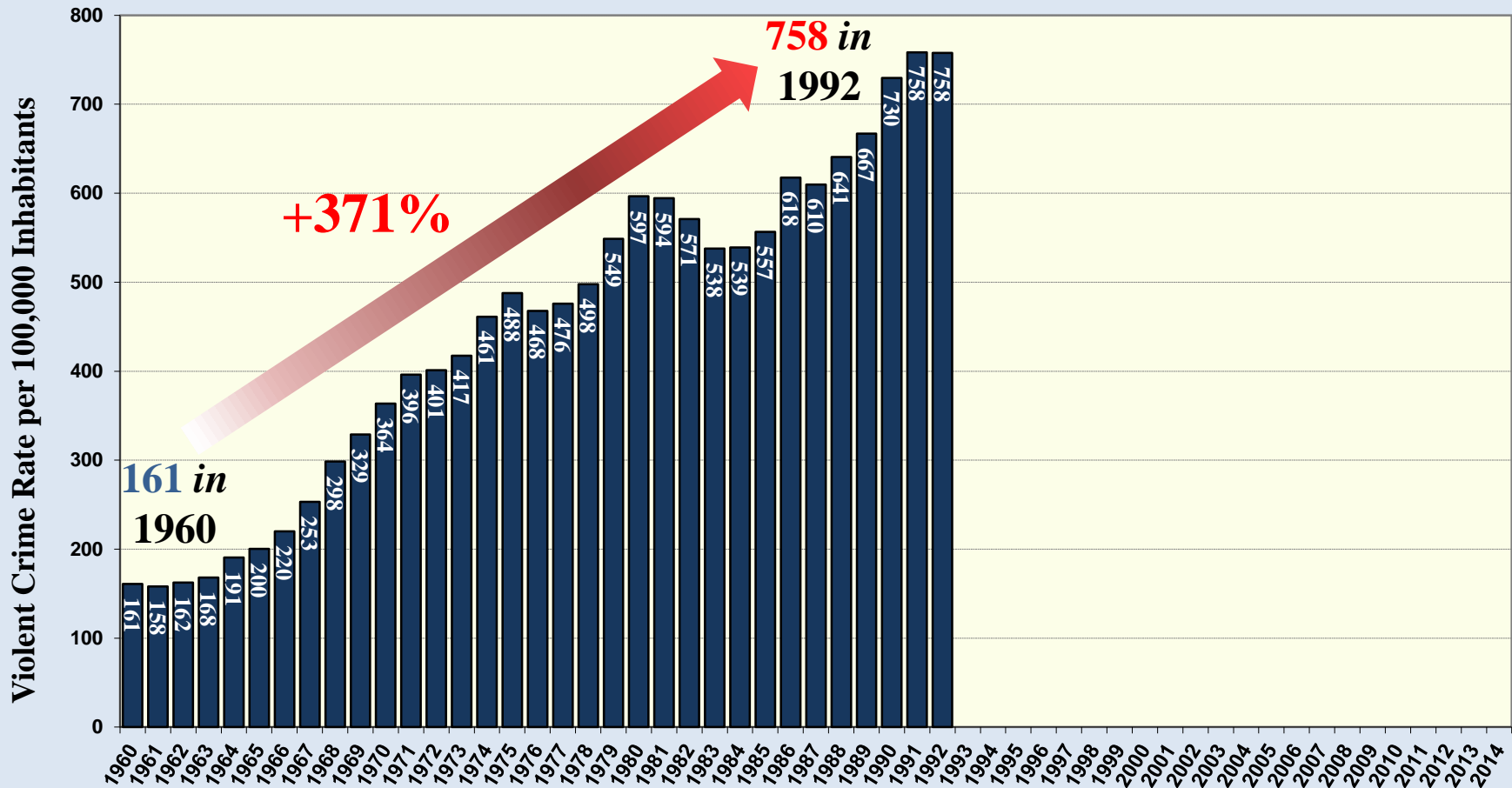


*Prison population and violent crime:
an inverse relationship?*



U.S. National Violent Crime Rate per 100,000 inhabitants, 1960–2014

After 1960, the U.S. national *violent crime rate increased rapidly by nearly 371%*

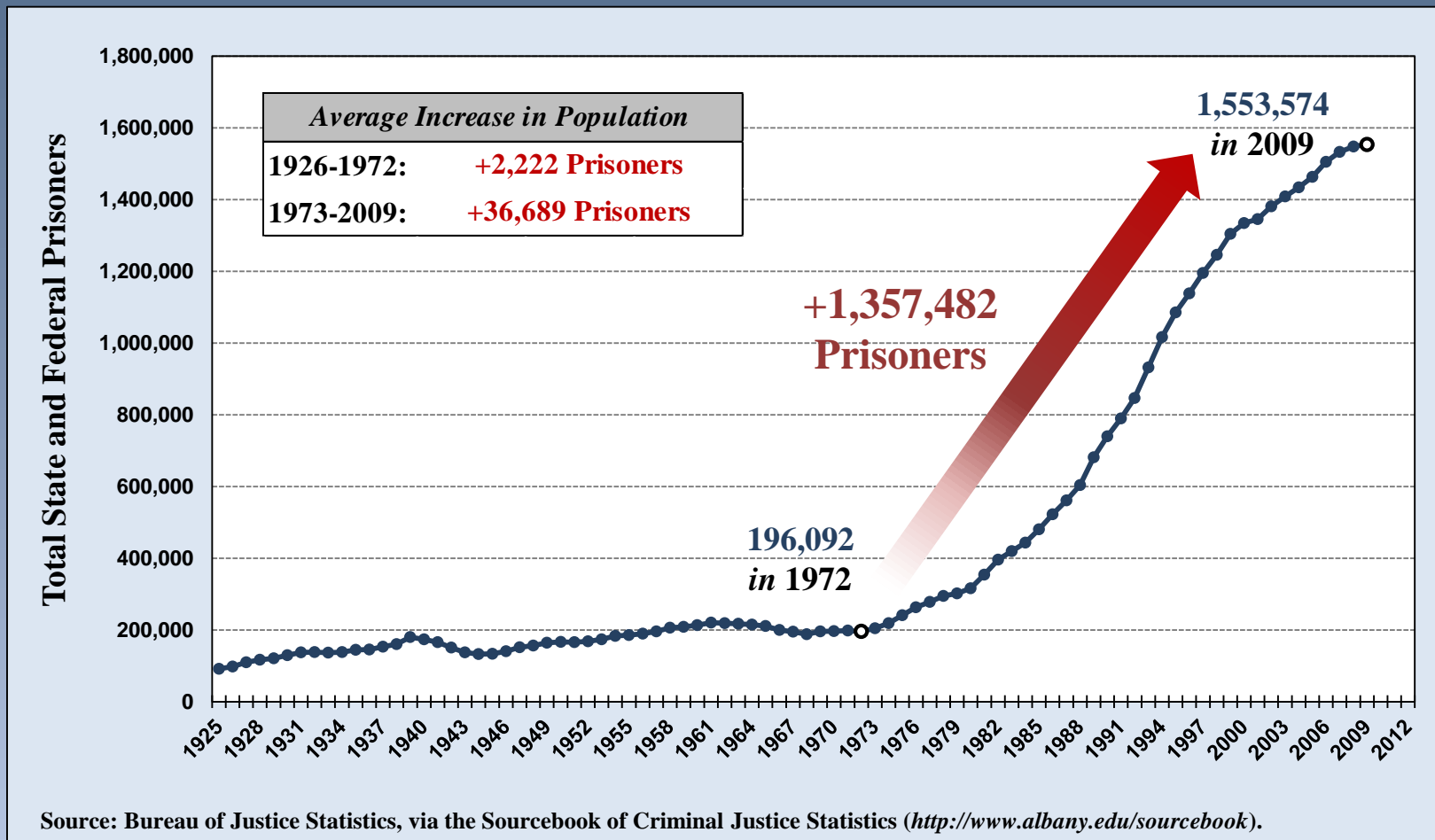


Source: FBI Uniform Crime Reports. (Violent Crime includes Murder, Rape, Robbery and Aggravated Assault).

The Prison Story: Overall Prison Population in the United States

Total Sentenced State and Federal Prisoners, 1925-2014

But from 1972 to 2009, total U.S. prison population increased rapidly, adding over **1.3 million** new prisoners



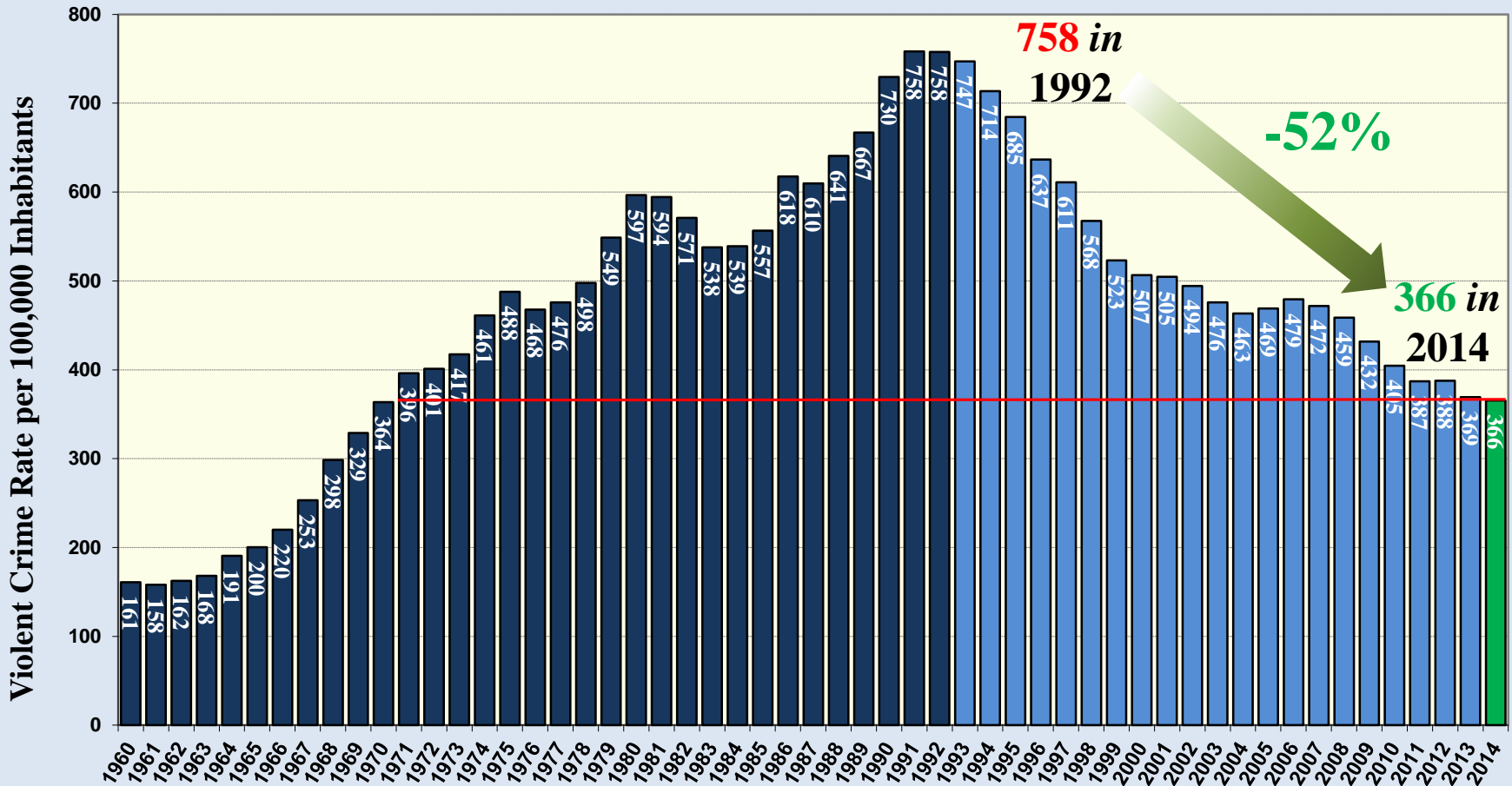
Prison population and violent crime

What goes up
must come down?



U.S. National Violent Crime Rate per 100,000 inhabitants, 1960–2014

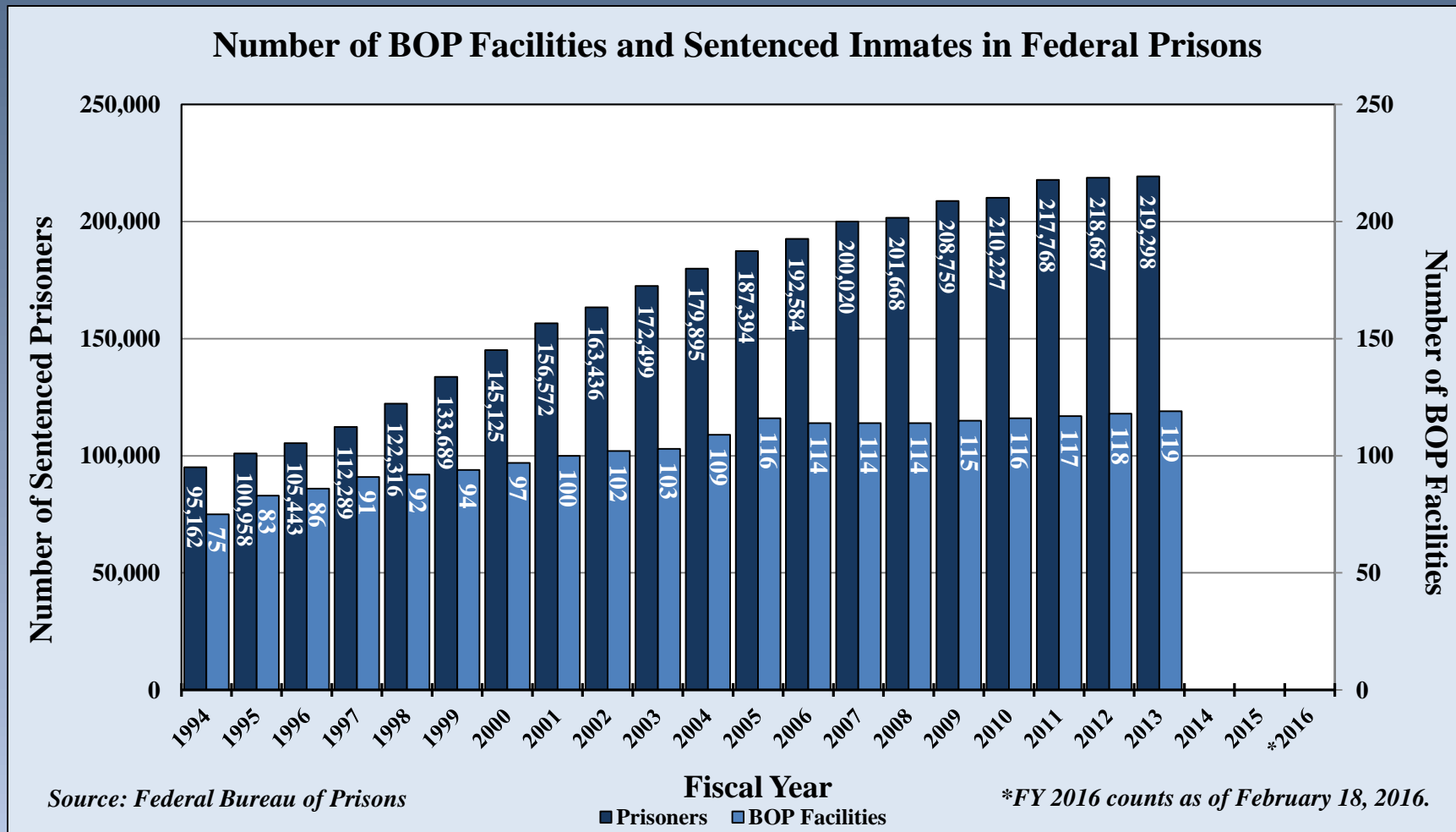
From 1992 to 2014, violent crime plummeted dramatically, by more than half to 1970 level



Source: FBI Uniform Crime Reports. (Violent Crime includes Murder, Rape, Robbery and Aggravated Assault).

Growth of U.S. Federal Prison Population and BOP Facilities 1994 - 2013

Since FY 1994, the Federal prison population increased by as much as 130% while the number of BOP facilities increased by 63%

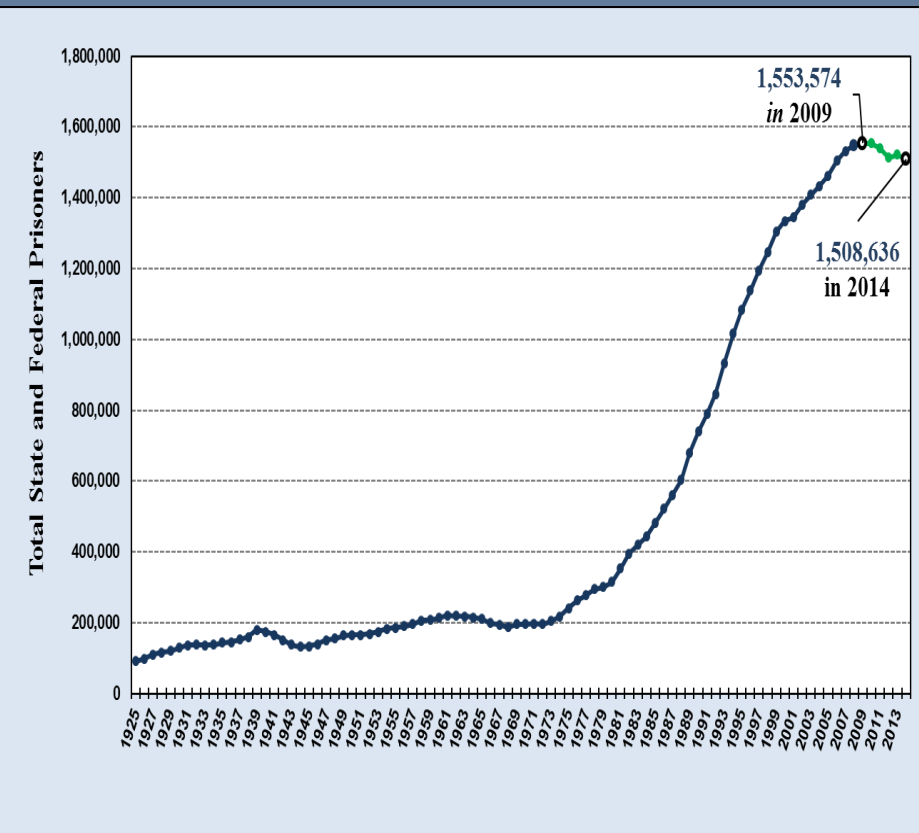


Sustainable growth?

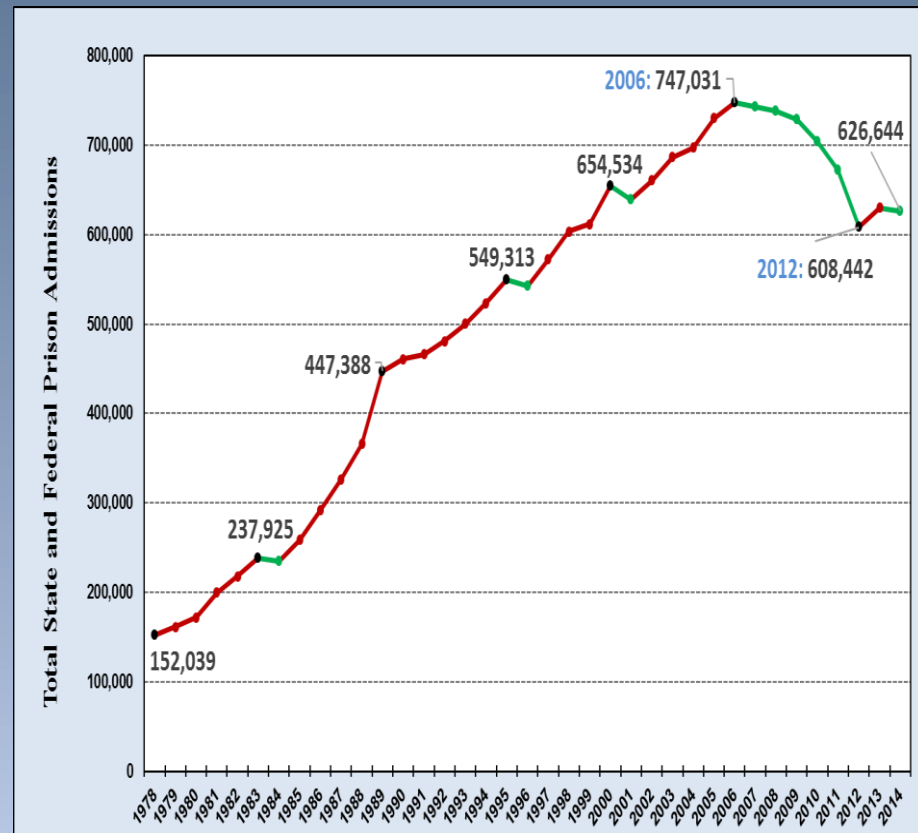


Recent trends: are we turning the corner?

Overall Prison Population Declining



Prison Admissions declining

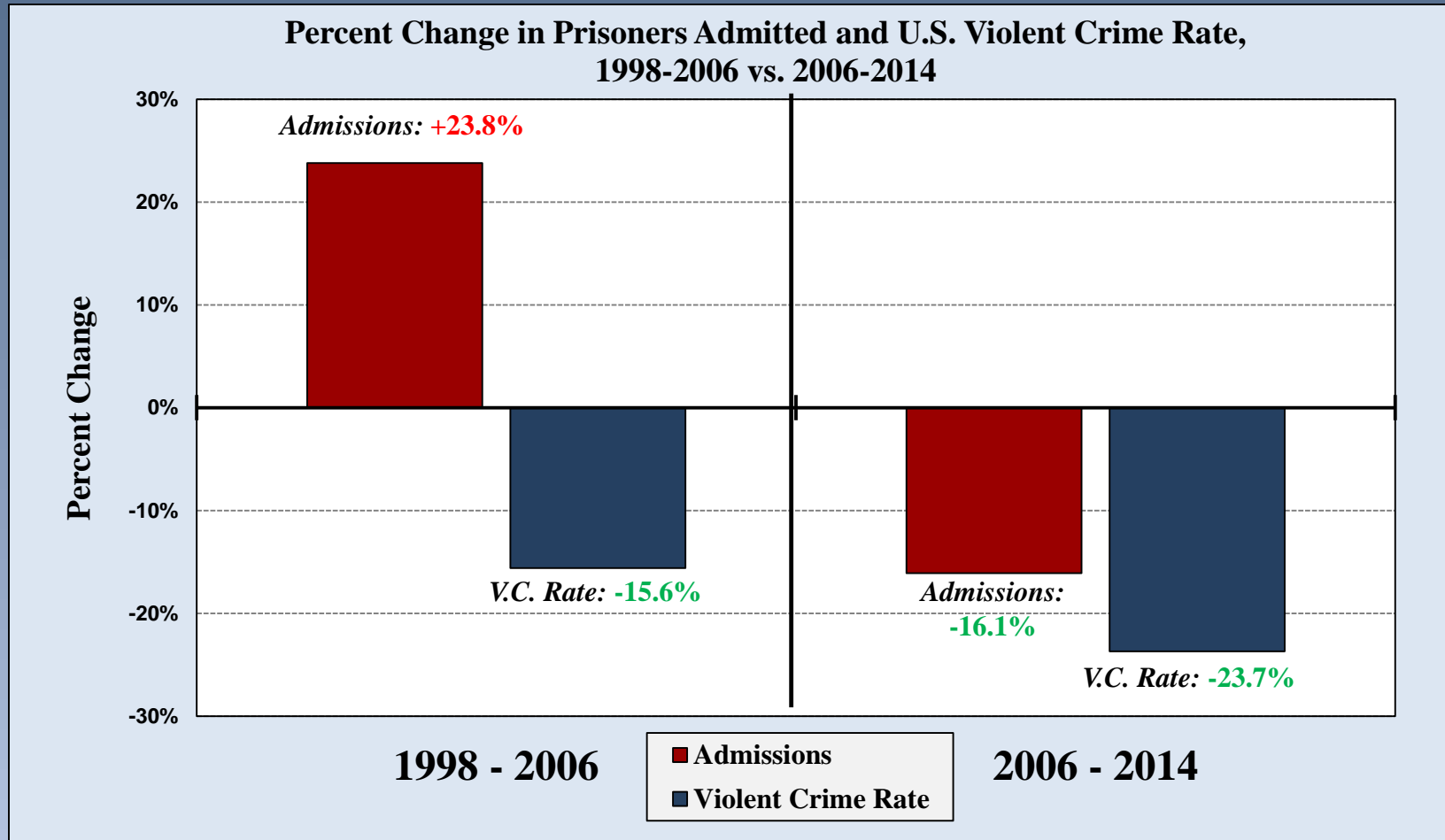


Best of both worlds?



Violent Crime Rates: Can Less Prison Work?

From 2006 to 2014, the number of sentenced prisoners admitted to prisons dropped by 16.1%...and the violent crime rate dropped by 23.7%

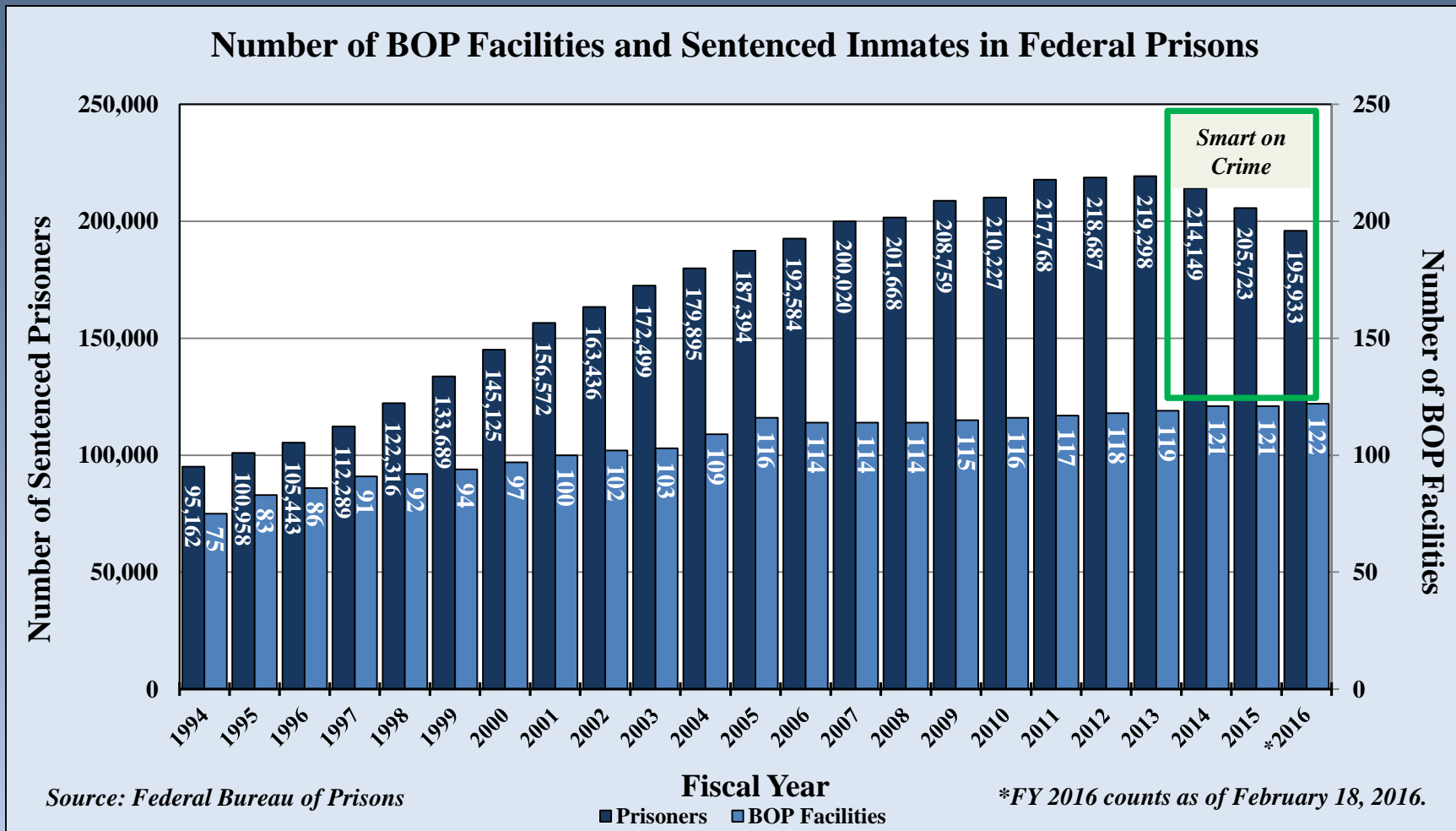


DOJ's Smart on Crime Initiative

- Rebalanced approach to crime control
- Robust policing and targeted prosecution
 - Mindful use of imprisonment
- *Effective reentry; get out and stay out!*
 - Treatment
 - Intervention
 - Prevention

Early Returns on SOC are favorable

In FY 2014, the Federal prison population began to decline for the first time in 30+ years (dropping nearly 11% from its peak in FY 2013)



Specialty courts in Utah and Idaho

