

Supreme Court of Texas Discovery Topics

In re M-I L.L.C.

No. 14-1045

Case Summary written by Eric Matthews, Articles Editor.

JUSTICE DEVINE delivered the opinion of the Court.

M-I and NOV are both businesses that provide solid-control equipment, including mesh screens that filter drilling fluid, to the oil-and-gas industry. In 2012, Jeff Russo was promoted to the position of business development manager of M-I's screen division, in which he learned of M-I's business strategies, systems, and customers. Less than two years later, Russo left M-I to become the global product line manager of NOV's screen division. M-I informed Russo that he possessed confidential information and was in breach of a non-compete agreement that he signed. In response, Russo filed suit, requesting that the non-compete be declared unenforceable. M-I counterclaimed against Russo for breaches of the agreement and fiduciary duty, and claimed misappropriation of trade secrets and tortious interference against both Russo and NOV.

At a hearing on M-I's application for a temporary injunction, M-I sought to use the testimony of its screen division manager to establish its trade secrets and requested that everyone except counsel, experts, and Russo be excluded for the testimony. The trial court denied the request because excluding NOV's representative would be a due process violation. To prevent disclosure of the information to NOV's representative, M-I petitioned the court of appeals for a writ of mandamus and submitted, *in camera* to that court, an affidavit of the testimony. Russo and NOV objected that the affidavit was an *ex parte* communication and moved for access to it. The court of appeals denied the motion, along with M-I's petition. On a subsequent motion by Russo and NOV, the trial court ordered the disclosure of the affidavit without reviewing it. M-I petitioned to the Supreme Court of Texas, which granted M-I's motion to seal the affidavit.

In the mandamus proceeding, the Supreme Court of Texas considered whether the trial court abused its discretion by (1)

summarily refusing M-I's request to conduct the testimony outside the presence of NOV's representative; and (2) by ordering the production of the affidavit without an *in camera* review. The Court held that the trial court abused its discretion in both instances and granted mandamus relief. In the first instance, the Court reasoned that for a preliminary hearing, due process rights were not absolute, and the trial court must first conduct a balancing test of the competing interests involved. Second, the trial court was required to review the affidavit *in camera* because the testimony itself was the only evidence that could substantiate whether it constituted trade secrets.

In re DePinho

No. 15-0294

Case Summary written by Morgan Shell, Articles Editor.

PER CURIAM.

William Bornmann was the head of a research laboratory at The University of Texas MD Anderson Cancer Center from 2003–2014. In 2013, Bornmann and his research team discovered an antibiotic. Upon discovery, Bornmann was presented with an invention disclosure report (IDR), which recognized himself as well as DePinho, president of MD Anderson, as contributors to the research.

Despite his contributions, MD Anderson decided not to renew Bornmann's contract and as a result, he filed a petition to take a deposition, under Rule 202 of the Texas Rules of Civil Procedures, of DePinho and another employee. Bornmann believed that after his termination, MD Anderson intended to re-file the IDR without Bornmann's name and that "a provisional patent on the repositioning of [the antibiotic] for the treatment of diabetes and cancer [would] be filed immediately and subsequently licensed to one of the companies owned by Dr. DePinho or his wife." The petition, therefore, was aimed at investigating DePinho in regards to a potential tortious interference claim.

Rule 202 of the Texas Rules of Civil Procedures permits a court to authorize a deposition "to investigate a potential claim or suit." A party generally cannot obtain a deposition under Rule 202 to circumvent an otherwise ripe claim. Nor can a party take a deposition under Rule 202

if the court granting the deposition lacks subject-matter jurisdiction. The rule, therefore, cannot be used “to investigate a potential federal . . . patent suit, which can be brought only in federal court.”

Relators, DePinho and Dennis, argue that Bornmann cannot obtain discovery on his potential claim for “tortious interference with the yet-to-be-filed patent application and with Bornmann's at-will employment.” Relators argue Bornmann’s claims are not ripe and the court lacks subject matter jurisdiction over the exclusively federal patent-application issue.

Bornmann responded that Rule 202 was a proper vehicle for such depositions because the Rule allows preliminary investigations of “potential” or “anticipated” claims.

While the court acknowledges that the rule is a liberal one, Rule 202 does not allow a person to investigate *any* action he may have based on future events. Rather, it allows the petitioner “to investigate a potential claim or suit.” Seeking guidance from Black’s Law Dictionary, the court explains that a “claim” refers to an existing, and not future or speculative, right. Additionally, it opines that it cannot be said that the petitioner is investigating a “suit” for patent infringement under Rule 202 because the Texas trial court lacks subject matter jurisdiction over the claim. There is an important difference, for purposes of Rule 202, between potential future events and potential claims. The latter may be asserted in the future based on events that have actually occurred and have already caused some injury, while the former refers to an event that may or may not occur. Without requiring petitioner to show actual injury from events that have already occurred, the claim would not be ripe.

Petitioner Bornmann believes that DePinho will omit from the patent application Bornmann’s name at some undetermined point in the future. Any injury that may occur, however, is currently based on conjecture. To allow petitioner to depose individuals to investigate a claim that currently is not ripe would in essence allow petitioner to “obtain by Rule 202 what [he] would be denied in the anticipated action.”

The court therefore holds that the trial court abused its discretion by allowing a Rule 202 deposition.

Order vacated.

In re Keenan

No. 15-0777

Case Summary written by Rachel Holland, Staff Member.

PER CURIAM.

Carolyn Frost Keenan lived in a subdivision in Houston where her home was subject to deed restrictions enforced by a homeowners' association (River Oaks Property Owners, Inc.). The association sued Keenan in 2014 seeking an injunction requiring the removal of improvements that the association claimed violated one of the deed restrictions. The restriction in question existed in an amended version of the deed restrictions purportedly enacted in 2006. However, Keenan filed a declaratory judgment counterclaim, which she later amended, arguing that those amended restrictions were unenforceable because too few homeowners had voted for them. The association countered that they had received sufficient votes to adopt the amendments.

In discovery, Keenan requested production of the homeowner ballots from the 2006 amendments. The association objected, arguing that the ballots were confidential, privileged, and ultimately irrelevant to the dispute. Keenan responded by filing a motion to compel production. Although the trial court granted the motion, it restricted Keenan's access to the ballots. Only Keenan's attorney was allowed to see the ballots, Keenan could not make copies of the ballots, and the contents of the ballots could not be disclosed to other persons without an additional court order. After inspecting the ballots, Keenan's attorney requested a modification of the order, seeking removal of the restrictions. During a hearing on the motion, Keenan's attorney argued that he believed the ballots indicated an insufficient number of votes for the purported amendments but that he could not serve as a witness at trial. The trial court denied the motion, stating that Keenan could potentially subpoena the ballots at trial and that Keenan's attorney could share his notes with her expert. Keenan sought mandamus relief from the court of appeals, but the court denied her relief.

Issue: Was Keenan entitled to mandamus relief from the lower court's restrictions on her ability to introduce or utilize the ballots at trial?

The Court concluded Keenan was entitled to mandamus relief because the trial court improperly restricted her ability to challenge the

sufficiency of the votes cast in favor of the amended restrictions. The Court noted that the sufficiency of the votes was a key issue in the case which Keenan was entitled to challenge. The trial court hindered her ability to do so by preventing her from introducing the ballots as evidence or incorporating them into the record for appellate review. Although Keenan's attorney would have been able to testify regarding the ballots, doing so would have forced him to withdraw from representing Keenan under Rule 3.08 of the Texas Disciplinary Rules of Professional Conduct. The rule prohibits an attorney from representing a client when he knows or believes that it may be necessary for him to serve as a witness to establish an essential fact in the client's case. The Court reasoned that the rule should not be used to deny Keenan the right to use the counsel of her choice.

The Court further reasoned that even if Keenan's attorney were allowed to share his notes with an expert, the expert's testimony would be so dependent upon the lawyer that the lawyer would in effect be a key fact witness. The Court considered this dual role similar to that discouraged by Rule 3.08, and it noted several problems created by such a role. First, the Court was concerned that an attorney in such a position might not be considered credible and consequently might not be an effective witness. Additionally, while an advocate's goal is to advance a particular cause, a witness is supposed to present facts objectively. The Court doubted the compatibility of these roles. The Court concluded the situation made the dispute's outcome unnecessarily dependent upon the attorney's credibility.

Ultimately, the Court concluded that Keenan's expert should be allowed to directly review the ballots. As for confidentiality concerns, the Court determined that the ballots were not statutorily protected and that there were steps the trial court could take, such as requiring the identities of voters to be redacted, which would protect the traditionally confidential nature of the ballots without hindering Keenan's ability to challenge a key issue in her case. The Court granted Keenan conditional relief, directing the trial court to permit her to make copies of the ballots and to disclose them in relation to discovery, expert analysis, trial preparation, and the trial itself. The Court also directed that the ballots be included in the record. Finally, the Court granted the trial court the ability to impose appropriate protective orders to protect confidentiality. The Court specified that the writ would

only issue in the unlikely event that the trial court failed to comply with its instructions.

In re National Lloyds Insurance Company

No. 15-0452

Case Summary written by Rachel Holland, Staff Member.

PER CURIAM.

The real parties in interest (the Plaintiffs) filed lawsuits against National Lloyds Insurance Company (Lloyds) because they believed they were underpaid on insurance claims placed after two hailstorms hit Hidalgo County in March and April of 2012. Along with other suits against insurance companies arising from the storms, the Plaintiffs' suits were transferred to the 206th District Court, the respondent, by the Multidistrict Litigation Panel of Texas. Prior to transfer, a discovery special master was appointed to assist in review of discovery disputes. After transfer, the special master approved a revised master discovery plan which the pretrial court adopted. This plan included a set of institutional requests directed to the insurers. Following Plaintiffs' requests for production, Lloyds responded and objected to two requests as burdensome and privileged. After several amendments to its responses, Lloyds ultimately withdrew its objections and assertions.

After reviewing emails included in Lloyds's responses to discovery, Plaintiffs filed a motion to compel production of system-generated reports referenced therein. Lloyds responded that the reports did not pertain to historical claims, nor could they be generated to provide such data. Upon deposition, Lloyds's corporate representative testified that the reports contained global claims that were "not specific to a particular claim or region." Plaintiffs filed a motion to enforce the pretrial court's former order and to compel production. Plaintiffs argued the reports requested were responsive to previous requests for production and furthermore sought sanctions for the failure to produce them.

Lloyds responded, reiterating that this new request exceeded the scope of prior requests. In doing so, Lloyds relied upon the Supreme Court of Texas's previous ruling in *In re National Lloyds Insurance Co.*, which held that a trial court abused its discretion by ordering the production of evidence relating to claims other than that of the plaintiff.

The pretrial court issued an order compelling Lloyds to produce six categories of documents, one of which included emails and any attached management reports. It also assessed \$15,726.25 in sanctions for attorney's fees. Lloyds filed a motion for reconsideration and requested an in camera review of the management reports, again arguing that the compelled discovery was overbroad. The pretrial court denied the motion without conducting an in camera review. The Court of Appeals denied mandamus relief on the grounds that Lloyds had waived objections to relevance or breadth.

Issue: Was Lloyds entitled to mandamus relief from the lower court's order compelling production and imposing sanctions because the underlying production order was overbroad?

The Court first looked to Texas Rule of Civil Procedure 193.2(a), which states that a party must object to discovery in writing within the time for response and must state the specific basis for the objection. If a timely objection is not made, Texas Rule of Civil Procedure 193.2(e) dictates that the objection is waived unless a court excuses such waiver for good cause shown. Because Lloyds objected from the very first that the request for the management reports was overbroad, put its objection in writing (in its response to the Plaintiffs' motion) within the time required, stated the basis for the objection, and continued to object in its motion for reconsideration, the Court concluded that Lloyds had not waived its objection. Turning to the merits of the claim, the Court noted that although relevancy is broadly construed regarding discovery requests, there are limits. One such limit is that a request may not be overbroad.

The Court then turned to its previous decision in *In re National Lloyds Insurance Co.*, where it dealt with an analogous discovery request. Although the request in that case was limited to information pertaining to properties in a certain area, it was still overbroad because it sought documents unrelated to the insurance event in question. The Court noted that the discovery order in the current case was even less narrowly tailored because it was not limited by location. While the original discovery requests in the revised master discovery plan were specifically tailored to the hail storms in Hidalgo County, the ordered discovery in dispute here did not include the same limits. They included information on claims in different counties related to different losses occurring on different dates. Because the order was not tailored in

regard to time, place, and subject, the Court concluded it was overbroad. Consequently, the Court held that the pretrial court abused its discretion by compelling production.

As to the challenged sanctions, the Court noted that although Lloyds was improperly ordered to produce one category of discovery, it had still failed to produce the other five categories. Because the Court did not find it appropriate to assume one-sixth of the ordered sanctions necessarily related to the one improper category, it directed the pretrial court to reevaluate the attorney's fees awarded. The Court further directed the pretrial court to vacate the portion of the discovery order related to the management reports. It ultimately issued a conditional grant of mandamus relief in which the writ would only issue if the pretrial court failed to follow the Court's directions.