

# THE SEEDY UNDERBELLY OF JOINDER AND REVERSE CLASS ACTIONS: THE PORN INDUSTRY'S CRUSADE AGAINST DIGITAL PIRACY AND ITS INTERPLAY WITH RULE 11 SANCTIONS

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## I. INTRODUCTION

Since the fall of Napster<sup>1</sup> over a decade ago, litigation involving Internet copyright infringement has been continuous and controversial. Adding to this controversy, the adult film industry has vigorously joined the fight against John Doe and his acts of piracy. The adult film industry has initiated suits against thousands of Internet protocol (IP) addresses of late, seeking ex parte discovery to ascertain the actual identity of the persons associated with the named IP addresses. These suits have recently become particularly popular in Illinois and provide the newest “get rich quick” scheme for lawyers. These “porn piracy” cases provide great potential for abuse, as contrasted with the recent music and film industry cases, because of the embarrassment and shame of being associated with the downloading of pornography. In other words, while a named defendant may fight for a cause of “Peace, Love, and Free Music,” the pornographic alternative of “Peace, Love, and Free Porn” is a much less popular or socially acceptable position for a defendant to take.

The stigma associated with these suits has been a driving force in their attractiveness to lawyers interested in quickly and easily making a great deal of money. In addition, this stigma presents problems not contemplated by music and film industry precedent. Due to the unique problems present in the porn piracy cases, this Comment will focus on the interplay between these cases and Rule 11 sanctions.<sup>2</sup> The current system to pursue these cases is broken because of the potential for abuse, and Rule 11 sanctions can act as a unique catalyst to propel a change to the proposed solution outlined in Part IV. The Comment will begin by exploring the background

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1. See *A&M Records, Inc. v. Napster, Inc.*, 284 F.3d 1091 (9th Cir. 2002).

2. FED. R. CIV. P. 11.

of the porn piracy cases, including the procedural mechanics of the suit, the difficulties associated with IP address identification, as well as an exploration of recent judicial decisions. Next, the Comment will address a variety of applicable Rule 11 challenges. Finally, the Comment will propose a solution to the current situation that balances the adult film industry's copyright interests with the interests of John Doe defendants.

## II. BACKGROUND

To fully understand the problems associated with the porn piracy cases, one must understand the basics of IP addresses, the mechanics of the suit, recent judicial treatment of these cases, and the potential problems associated with allowing *ex parte* discovery. Each will be addressed in turn.

### A. IP Addresses

Any computer that connects to the Internet receives a unique IP address that facilitates communications with other computers.<sup>3</sup> In simplest terms, a computer's IP address creates a stamp or trail of all the activities someone conducts while on the Internet.<sup>4</sup> When a user "views a Web site, . . . posts on a blog, . . . views a sexually explicit photograph, reads a political article, or searches 'bomb placement white house,' a server logs his IP address."<sup>5</sup> An important note to keep in mind is that Internet service providers (ISPs), which assign the IP addresses to users, have access to all of this information.<sup>6</sup>

Also germane to the discussion below, IP address location cannot be accurately determined geographically speaking.<sup>7</sup> Through the use of a publicly available database operated by the American Registry for Internet Numbers, an individual may be able to identify the "likely" locations of particular IP addresses.<sup>8</sup> This information, however, merely indicates "likelihood" of location, and falls short of one hundred percent accuracy.<sup>9</sup> Identifying the locations of IP addresses becomes important when examining personal jurisdiction issues.

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3. United States v. Steiger, 318 F.3d 1039, 1042 (11th Cir. 2003).

4. See Joshua J. McIntyre, *Balancing Expectations of Online Privacy: Why Internet Protocol (IP) Addresses Should be Protected as Personally Identifiable Information*, 60 DEPAUL L. REV. 895, 896 (2011).

5. *Id.* at 896 (internal quotation marks omitted).

6. *Id.* at 897.

7. Sony Music Entm't, Inc. v. Does 1-40, 326 F.Supp.2d 556, 567 (S.D.N.Y. 2004).

8. *Id.*

9. *Id.*

## B. Mechanics

The mechanics of the typical suit involve the initial determination of whether to pursue the action through the use of joinder or reverse class actions.<sup>10</sup> Next, the party seeking to enforce its copyright must identify IP addresses associated with the illegal downloading of copyrighted materials and initiate a John Doe suit against the named IP addresses to seek ex parte discovery of the identities of those IP addresses. Finally, the copyright enforcer sends settlement offers containing strong, if not threatening, language to each identified John Doe.

### 1. Joinder v. Reverse Class Action

If the copyright enforcer decides to pursue enforcement through joinder, Rule 20(a) provides that joinder of defendants is appropriate where “any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences; and [] any question of law or fact common to all defendants will arise in the action.”<sup>11</sup> Typically, the copyright enforcer urges joinder of defendants by arguing that each of the Does used their ISP-issued IP addresses to distribute the copyright enforcer’s work in the same or similar manner on different dates and times.<sup>12</sup>

The other mechanism of choice for naming multiple defendants in a single suit is through the use of reverse class actions. Rule 23 states:

One or more members of a class may sue or be sued as representative parties on behalf of all members only if:

- (1) the class is so numerous that joinder of all members is impracticable;
- (2) there are questions of law and fact common to the class;
- (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class; and
- (4) the representative parties will fairly and adequately protect the interests of the class.<sup>13</sup>

These four prerequisites have commonly been referred to as the requirements of “numerosity, commonality, typicality, and adequate representation regardless of whether the action involves a plaintiff class or a

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10. Reverse class actions are also commonly referred to as “defendant class actions.”

11. FED. R. CIV. P. 20(a)(2).

12. *IO Grp., Inc. v. Does 1-435*, No. 10-4382, slip op. at 3 (N.D. Cal. Feb. 3, 2011).

13. FED. R. CIV. P. 23(a).

defendant class.”<sup>14</sup> In addition, “A defendant class requires closer scrutiny of Rule 23 tests to assure fairness to absent members based on long-standing due process protections for defendants.”<sup>15</sup>

Although brief, the description above outlines the two basic tools used by the adult film industry to commence litigation against hundreds, if not thousands, of John Doe-IP addresses in a single suit. The goal is simple, as one court explained: “Plaintiff’s motive for seeking joinder [or a reverse class action] . . . is to keep its own litigation costs down in hopes that defendants will accept a low initial settlement demand.”<sup>16</sup> The court further opined, “[F]iling one mass action in order to identify hundreds of doe defendants through pre-service discovery and facilitate mass settlement[] is not what the joinder rules were established for.”<sup>17</sup>

After deciding which tool to employ to pursue mass litigation, the next step is to file suit against numerous IP addresses in the hopes of obtaining ex parte discovery.

## 2. *John Doe Suits*

In order to obtain the identities of the IP addresses, the copyright holder must file a complaint against John Doe, and, whether through joinder or class action, the John Does will ultimately be associated with numerous IP addresses. The copyright holder will then make a “Motion for Leave to Take Discovery Prior to a Rule 26(f) Conference, enabling [the holder] to serve subpoenas on various ISPs for the purpose of obtaining information to identify the John Doe [d]efendants.”<sup>18</sup> If the motion is granted, “ISPs that are served with such subpoenas must give notice to their subscribers before turning over their contact information.”<sup>19</sup> The notice given by ISPs then allows the putative John Doe defendants whose information has been subpoenaed “to file motions . . . seeking to quash these subpoenas and prevent the ISPs from turning over their contact information.”<sup>20</sup> In a best-case scenario for the copyright holder, the court will rule against all of the motions made by the John Doe defendants and turn over the contact information to the copyright holder.<sup>21</sup> If all goes well for the copyright holder, the holder will receive a list of hundreds or thousands of individuals to whom the holder will send settlement letters. This list is essentially handed over for the nominal fee of filing in federal

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14. *Tilley v. TJX Co., Inc.*, 345 F.3d 34, 37 (1st Cir. 2003).

15. 2 HERBERT B. NEWBERG ET AL., *NEWBERG ON CLASS ACTIONS* § 4.47 (4th ed. 2002).

16. *IO Grp.*, No 10-4382, slip op. at 6.

17. *Id.*

18. *West Coast Prod., Inc. v. Does 1-5829*, 275 F.R.D. 9, 11 (D.D.C. 2011).

19. *Id.*

20. *Id.*

21. *See West Coast*, 275 F.R.D. 9.

court, which as of the date of this Comment is \$350.<sup>22</sup> To attain settlement, however, the copyright holder must carefully draft the settlement offer.

### 3. Settlement Offer

Perhaps the most illustrative way of describing the settlement offers is through an example sent by “[a] leading anti-piracy law firm.”<sup>23</sup> The letter begins by colorfully clarifying that “people who illegally downloaded their copyrighted content” are “digital pirates.”<sup>24</sup> The letter then sets out that “to avoid the expenses of a lawsuit,” the offeree need only agree to an offer that will enable the copyright holder “to recover damages for the harm caused by the illegal downloading.”<sup>25</sup> Next, the law according to the copyright holder is laid out, specifically: “Under the Copyright Law of the United States, copyright owners may recover up to \$150,000 in statutory damages (in cases where statutory damages are applicable, *which may or may not be the case here*) per infringing file plus attorney’s fees in cases, whereas here, infringement was willful.”<sup>26</sup> Foregoing the possible \$150,000 per file payday, the copyright holder will provide the digital pirate “with an opportunity to avoid litigation by working out a settlement with [the holder].”<sup>27</sup> The proposed offer is for \$2900 as full settlement for the claims.<sup>28</sup> The letter then proceeds to a “Frequently Asked Questions” section, where the offeree is informed that settlement means retaining anonymity and any attempt to defend oneself in litigation will be futile.<sup>29</sup>

For purposes of clarifying how lucrative this settlement can be to a copyright holder, some simple math is illustrative. As was the case in *West Coast Productions, Inc. v. Does 1-5829*, where the court allowed discovery of the John Doe defendants’ contact information, assume there are 5829 John Does. If the copyright holder settles with the 5829 John Does for \$2900 per Doe (5829 \* \$2,900), the copyright holder stands to gain \$16,904,100. Perhaps more surprising, this worthwhile venture was made possible with minimal expenses, namely the cost of a filing fee and the drafting of form letters, in addition to the defendants’ shame associated with the possibility of being named a defendant in an action brought by the porn industry.

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22. 28 U.S.C. § 1914 (2012).

23. Settlement Letter from Steele & Hansmeier, PLLC (May 16, 2011), *available at* <http://www.scribd.com/doc/80437326/Steele-Hansmeier-Settlement-Demand-Letter-First-Time-Videos> [hereinafter Settlement Letter].

24. *Id.*

25. *Id.*

26. *Id.* (emphasis added).

27. *Id.*

28. *Id.*

29. *Id.*

### C. Recent Judicial Treatment

Unfortunately for the adult film industry, these cases have received mixed reviews from courts. Many courts have found joinder improper and severed the cases, thus making the adult film industry plaintiff file against each John Doe defendant individually.<sup>30</sup> The severance, of course, adds additional expense to the litigation, leaving the plaintiff with no other plausible alternative except “testing the waters” in another federal district court. There are courts, however, that have treated these cases much more favorably. The D.C. Circuit, in particular, has allowed a number of these cases to proceed to the discovery of the John Doe defendants’ identities.<sup>31</sup> For the purposes of this discussion, the distinction between those cases using Rule 20 joinder of parties and those using Rule 23 reverse class actions becomes important. This importance derives from the differences in reasoning the courts have used to avoid these cases entirely.

#### 1. *Improper Joinder Found*

In *Digital Sin, Inc. v. Does 1-5698*, Digital Sin sought early discovery and leave to serve Rule 45 third-party subpoenas on each ISP associated with the 5698 IP addresses.<sup>32</sup> Although Digital Sin demonstrated good cause to conduct early discovery,<sup>33</sup> the court concluded that permissive joinder was inappropriate, “particularly given that 5,698 Doe defendants downloaded the protected work at various dates and times ranging from April to August 2011.”<sup>34</sup> In addition, the court noted that “[t]hrough the 5,698 Doe defendants may have engaged in similar behavior, they are likely to present different defenses.”<sup>35</sup> The number of Doe defendants alone made joinder inappropriate due to case management issues.<sup>36</sup> The court then severed Does 2 through 5698 from the action and dismissed without prejudice Digital Sin’s claims against them, while granting *ex parte* discovery with respect to Doe 1.<sup>37</sup>

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30. *Digital Sin, Inc. v. Does 1-5698*, No. 11-4397 (N.D. Cal. Nov. 4, 2011); *IO Grp., Inc. v. Does 1-435*, No. 10-4382 (N.D. Cal. Feb. 3, 2011); *LaFace Records, LLC v. Does 1-38*, No. 5:07-CV-298-BR, 2008 WL 544992 (E.D.N.C. Feb. 27, 2008); *Lightspeed v. Does 1-1000*, No. 10-5604, 2011 U.S. Dist. LEXIS 35392 (N.D. Ill. Mar. 31, 2011).

31. *West Coast Prod., Inc. v. Does 1-5829*, 275 F.R.D. 9 (D.D.C. 2011); *Donkeyball Movie, LLC v. Does*, 810 F.Supp.2d 20 (D.D.C. 2011); *Call of the Wild Movie, LLC v. Smith*, 274 F.R.D. 334 (D.D.C. 2011).

32. No. 11-4397, slip op. at 1.

33. *Id.* at 2.

34. *Id.* at 3.

35. *Id.* at 4.

36. *Id.*

37. *Id.* at 5.

In *IO Group, Inc. v. Does 1-435*, the court rejected plaintiff's "rimless wheel conspiracy," whereby each defendant "understood he was joining an overall scheme to form an illicit on-line exchange with at least one of its goals being to reproduce and distribute infringing works in violation of copyright laws."<sup>38</sup> The court noted that the "fundamental problem plaintiff face[d] [was] that there [were] no factual allegations to support the assertion that the Doe defendants [were] connected to the 'same transaction, occurrence or series of transactions or occurrences,' or any facts that show[ed] they specifically acted in concert."<sup>39</sup> The court found that the possibility of a "panoply of different facts, law, and defenses" made joinder improper.<sup>40</sup>

Similarly, in *LaFace Records, LLC v. Does 1-38*, a recording industry case, the court held that "merely committing the same type of violation in the same way does not link defendants together for purposes of joinder."<sup>41</sup> "Where there is no assertion that multiple defendants have acted in concert, joinder is improper;" thus, all defendants except Doe 2 were severed from the action.<sup>42</sup>

In *Lightspeed v. Does 1-1000*, a case factually similar to those mentioned above, the court held that maintaining the action involving one thousand defendants was inefficient because the court "could be faced with hundreds of factually unique motions to dismiss, quash or sever from potential defendants located all over the country."<sup>43</sup> In addition, the court reinforced its decision to sever the defendants stating that the complaint contained no facts indicating why venue was appropriate in Illinois, noting the plaintiff was an Arizona corporation with its principal place of business in Arizona, and, as far as the plaintiff knew, none of the defendants were located in Illinois.<sup>44</sup>

## 2. Proper Joinder Found

In *West Coast Productions, Inc. v. Does 1-5829*, the plaintiff was allowed ex parte discovery of the Doe defendants' identities, to which many Doe defendants filed motions to quash subpoenas on a number of grounds, including lack of personal jurisdiction and misjoinder.<sup>45</sup> The court rejected the defendants' personal jurisdiction challenge because, "[a]lthough the movants generally assume[d] that they [would] be named as defendants

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38. No. 10-4382, slip op. at 2 (N.D. Cal. Feb. 3, 2011).

39. *Id.* at 3.

40. *Id.* at 5.

41. No. 5:07-CV-298-BR, 2008 WL 544992, at \*2 (E.D.N.C. Feb. 27, 2008).

42. *Id.* at \*3.

43. No. 10-5604, 2011 U.S. Dist. LEXIS 35392, at \*7 (N.D. Ill. Mar. 31, 2011).

44. *Id.* at \*7-8.

45. 275 F.R.D. 9 (D.D.C. 2011).

once their contact information [wa]s turned over to [p]laintiff . . . , the Court [could not] automatically draw that conclusion.”<sup>46</sup> The court found it premature to evaluate jurisdictional challenges and found solace in the fact that if the movants were named as defendants, they would have the “opportunity to assert their jurisdictional defenses once they [were] served with process.”<sup>47</sup> In response to the misjoinder challenge, the court reasoned, “Each putative defendant is a possible source for the plaintiffs’ motion pictures, and may be responsible for distributing the motion pictures to the other putative defendants, who are also using the same file-sharing protocol to copy the identical copyrighted material.”<sup>48</sup> Finding this hypothetical possibility of all five thousand plus defendants acting at one time persuasive, the court found the same transaction or occurrence test of Rule 20 satisfied, and, in addition, the court held that the second prong of the test, common questions of law or fact, was “easily met because the claims asserted against each John Doe [d]efendant [were] identical.”<sup>49</sup> The court also found judicial efficiency promoted by the consolidation of the claims into a single action for coordinated discovery and pretrial management; however, the court reserved the right to revisit joinder once defendants were named.<sup>50</sup>

Other cases within the D.C. Circuit have paralleled the reasoning of *West Coast Productions*, in that personal jurisdiction challenges were untimely, and joinder challenges were unwarranted.<sup>51</sup> Outside of the D.C. Circuit, these suits based on joinder of defendants have had success in only a few federal districts. This lack of success has led adult film industry plaintiffs to resort to a different strategy in order to attain the desired ex parte discovery.

### 3. Reverse Class Actions

Adult film industry plaintiffs have sought the use of reverse class actions to pursue the identities of John Doe defendants. In *VPR Internationale v. Does 1-1017*, the plaintiff, a Quebec-based producer of adult entertainment content, sought ex parte discovery in a reverse class action suit against 1017 class defendants.<sup>52</sup> The reverse class action presents additional problems not contemplated by the joinder cases because

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46. *Id.* at 14.

47. *Id.* at 15.

48. *Id.* at 16 (quoting *Call of the Wild Movie, LLC v. Does 1-1,062*, 770 F. Supp. 2d 332, 343 (D.D.C. 2011)).

49. *Id.*

50. *Id.*

51. See *Donkeyball Movie, LLC v. Does*, 810 F. Supp. 2d 20 (D.D.C. 2011); *Call of the Wild Movie, LLC v. Smith*, 274 F.R.D. 334 (D.D.C. 2011).

52. No. 11-2068, slip op. at 1 (C.D. Ill. Apr. 29, 2011).

the adult film industry plaintiff can attempt to postpone class certification until the Doe defendants are identified. This situation removes some of the procedural challenges that are available in a joinder case. Perhaps noting these challenges, the court rested its decision to deny *ex parte* discovery on the lack of an adversarial process.<sup>53</sup> The court also cited the story of a “raid by federal agents on a home that was linked to downloaded child pornography” where iPhones, iPads, and a desktop computer owned by the homeowner and his wife were seized in the raid.<sup>54</sup> The agents determined no one in the home downloaded the illegal material and later “traced the downloads to a neighbor who had used multiple IP subscribers’ Wi-Fi connections.”<sup>55</sup> The court recognized that “the embarrassment of public exposure might be too great, the legal system too daunting and expensive, for some to ask whether VPR has competent evidence to prove its case.”<sup>56</sup> The court further stated that it “ha[d] no jurisdiction over any of the Does at th[at] time; the imprimatur of th[e] court [would] not be used to advance a ‘fishing expedition by means of a perversion of the purpose and intent’ of class actions.”<sup>57</sup>

#### D. Further Aggravating Factors

In addition to the mistaken seizure of the homeowners cited in the *VPR Internationale* order, many other situations involving mistake, misuse, and mistaken identity have occurred throughout the music and record industry campaigns against digital piracy. A few examples will be discussed below. It is important to keep in mind that the risks associated with these mistakes are further exacerbated by the allegations involved in the adult film industry cases. Although these stories were brought to the attention of the media during the music and record industry campaigns, the likelihood of an individual coming forward to present their case of mistaken identity regarding the downloading of explicit pornographic content is greatly reduced due to the embarrassing nature of the allegations.

An unnamed 70-something female in the San Francisco area was accused of downloading pornographic videos over BitTorrent in June of 2011.<sup>58</sup> The woman told the *San Francisco Chronicle* that “she’[d] never

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53. *Id.* at 2.

54. *Id.* at 1 (citing Carolyn Thompson, *Bizarre Pornography Raid Underscores Wi-Fi Privacy Risks*, NBC NEWS (April 25, 2011), [http://www.msnbc.msn.com/id/42740201/ns/technology\\_and\\_science-wireless/](http://www.msnbc.msn.com/id/42740201/ns/technology_and_science-wireless/)).

55. *Id.*

56. *Id.* at 2.

57. *Id.*

58. *Porn Lawsuits: Chicago Lawyer John Steele Goes After Alleged Illegal Downloaders*, HUFFINGTON POST (July 21, 2011), [http://www.huffingtonpost.com/2011/07/21/porn-lawsuits-chicago-law\\_n\\_905907.html](http://www.huffingtonpost.com/2011/07/21/porn-lawsuits-chicago-law_n_905907.html).

downloaded porn and [did]n't know what BitTorrent [wa]s, and that she intend[ed] to fight the suit."<sup>59</sup> The innocent grandmother's case was later dropped by the copyright holders.<sup>60</sup>

Another mistake occurred during Spring 2003 finals at Pennsylvania State University, when the Penn State computer system was nearly shut down in an attempt to locate illegally downloaded songs by the artist Usher.<sup>61</sup> The Recording Industry Association of America's copyright detectors had "identified the combination of 'Usher' and the suffix '.mp3' as suspect."<sup>62</sup> Ultimately, Penn State discovered that there was a professor named Peter Usher in the system, as well as an a capella song about a Swift gamma ray satellite that led to the mix up.<sup>63</sup>

These mistakes on the part of the copyright enforcer in suing parties wholly uninvolved with copyright infringement colorfully illustrate the need for a greater level of care in bringing these suits. In particular, for porn industry plaintiffs where the claim being brought has the potential for serious embarrassment for a potential named defendant, greater care needs to be taken in ensuring that those sued have indeed infringed on the plaintiff's copyright. These suits present a real and serious threat that innocent defendants will avoid the embarrassment of the suit entirely by choosing to forego defending themselves and instead settling with the plaintiff to avoid the shame associated with the suit. Rule 11 sanctions present a tool to ensure that porn industry plaintiffs dot all their "i's" and cross all their "t's" before bringing the suit.

### III. RULE 11 APPLICABILITY

Due to the unique nature of the cases described above, the possibilities of mistake, and the particularly embarrassing nature of these proceedings for possible John Doe defendants, particular caution should be taken in furthering a copyright action involving these pornographic materials. The proper mechanism to encourage careful protection of these copyrights is Rule 11 Sanctions. Rule 11 states, in pertinent part:

(b) Representations to the Court. By presenting to the court a pleading, written motion, or other paper—whether by signing, filing, submitting, or later advocating it—an attorney or unrepresented party certifies that to the

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59. *Id.*

60. *BitTorrent Grandma Was Wrongfully Accused, Lawyer Admits*, TORRENTFREAK (Aug. 31, 2011), <http://torrentfreak.com/bittorrent-grandma-was-wrongfully-accused-lawyer-admits-110831/>.

61. Jordana Boag, *The Battle of Piracy Versus Privacy: How the Recording Industry Association of America (RIAA) is Using the Digital Millennium Copyright Act (DMCA) as Its Weapon Against Internet Users' Privacy Rights*, 41 CAL. W. L. REV. 241, 261-62 (2004).

62. *Id.* at 262.

63. *Id.*

best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances:

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

(3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery. . . .<sup>64</sup>

These suits present four possible Rule 11 challenges regarding their filings, including coercing settlement, embodying nuisance settlements, abusing the judicial process, and lacking a basis in personal jurisdiction.

#### A. Coercing Settlement

Although it is sometimes thought that the primary purpose of litigation in today's day and age is to force the opposing side into settlement negotiations, there is precedent that initiating litigation for the sole purpose of coercing settlement violates Rule 11.<sup>65</sup>

In *Elster v. Alexander*, the plaintiff alleged fraudulent conduct by defendants that the plaintiff claimed ultimately resulted in poor returns on his investment in real estate investment trusts.<sup>66</sup> Although the plaintiff admitted the poor returns likely resulted from unprecedented inflation, the court hypothesized that the plaintiff maintained the action either to advance a "fishing expedition" in the hope of securing support for his "blunderbuss" accusations<sup>67</sup> or for the purpose of coercing a settlement.<sup>68</sup> The court's hypothesis was further bolstered by two similar actions initiated by the plaintiff.<sup>69</sup> The court found Rule 11 sanctions were appropriate against the plaintiff and his attorney because papers were filed deliberately without the reasonable inquiry that Rule 11 requires.<sup>70</sup> Furthermore, the court held the pleadings "were not in pursuit of any legal cause of action genuinely believed by plaintiff or his counsel to exist at the time their documents were filed, but rather for the purpose of coercing a settlement from defendants . . . and therefore constituted a violation of Rule 11."<sup>71</sup>

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64. FED. R. CIV. P. 11(b).

65. 122 F.R.D. 593, 604 (N.D. Ga. 1988).

66. *Id.* at 602.

67. *Id.* at 605.

68. *Id.* at 604.

69. *Id.* at 602.

70. *Id.* at 604.

71. *Id.*

In the porn piracy context, a Doe defendant moving for Rule 11 sanctions for coercing settlement would argue, similar to *Elster*, the porn industry plaintiff had brought the action to advance a “fishing expedition” hoping to support otherwise factually unsupported accusations. In addition, the embarrassing nature of the suit and the possibility of mistaken identification of an IP address leave open the possibility of innocent Doe defendants being forced to settle to avoid the embarrassment associated with these suits. Furthermore, porn industry plaintiffs seem all too aware of the coercive nature of these suits through the initiation of a vast number of these claims in addition to little to no pursuit of these claims at trial.

The problem with this argument is that the porn industry plaintiff has more information available to support its claim than did the plaintiff in *Elster*. Unlike *Elster*, porn industry plaintiffs have IP addresses in their possession associated with the illegal downloading of their copyrighted pornography. While the possibility of mistaken identification of IP addresses exists, the vast majority of named IP addresses have likely engaged in the illegal downloading of the plaintiff’s material. This fact alone undermines a Doe defendant’s motion for Rule 11 sanctions for coercing settlement because the underlying claim is not baseless, as was the claim in *Elster*. Also, the Doe defendant faces an uphill battle in pursuing this theory, as it has rarely been successful when pursued. Although the coercing settlement theory may not be successful, the Doe defendant has other avenues to pursue Rule 11 sanctions.

## B. Nuisance Settlement

The nuisance settlement theory in many ways parallels the coercing settlement theory, in that the suit is initiated solely for forcing the defendant to settle. A “nuisance lawsuit” is defined as “any action [] the plaintiff . . . knows to be frivolous yet brings anyway in order to extort a settlement less than the defendant’s cost to defend.”<sup>72</sup> A “nuisance-value settlement” obviously occurs when a defendant gives in to this extortion instead of pursuing a certain victory on the merits.<sup>73</sup> To show a nuisance settlement exists, three showings are required: “(1) the existence of an actual settlement, (2) proof [] the plaintiff possessed the requisite bad motive in bringing a case known to be untenable, and (3) evidence [] the defendant decided to settle solely to avoid incurring future defense costs.”<sup>74</sup> Lance P. McMillian, a professor of law at John Marshall Law School in

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72. Lance P. McMillian, *The Nuisance Settlement “Problem”: The Elusive Truth and a Clarifying Proposal*, 31 AM. J. TRIAL ADVOC. 221, 223 (2007).

73. *Id.*

74. *Id.* at 224.

Atlanta, Georgia, has proposed the following five-factor test in analyzing potential nuisance cases:

- (1) whether the case settled early in the litigation process;
- (2) whether the plaintiff invested significant time or money in the case;
- (3) whether there exists a large disparity between the plaintiff's demand and the ultimate settlement;
- (4) whether the amount of the settlement is so low as to suggest the parties believed the case to be meritless; and,
- (5) whether the complaint appears meritless on its face or after discovery.<sup>75</sup>

Applying these factors to the porn piracy suits, all factors seem to be met in the typical case. First, “[i]f a plaintiff bails on a case by accepting a small settlement shortly after the complaint is filed, the stronger the likelihood the plaintiff realized that the lawsuit was without merit from the start.”<sup>76</sup> The porn industry settlement letters are usually sent immediately following *ex parte* discovery of the identities of the IP addresses leading to ultimate settlement of the claims shortly after the filing of the complaint. The first element will be met in the typical case.

Second, “a plaintiff who spends a great deal of time and money in an effort to prove its case believes in the merits (or, at a minimum, the potential merits) of the claims asserted.”<sup>77</sup> As discussed earlier, the typical porn industry plaintiff expends very little time and money into one of these actions. The expenses involved include the cost of the court-filing fee, moving for discovery prior to a Rule 26(f) discovery conference, and the drafting, copying, and sending of form settlement letters. All things considered, the amount of time and money spent in these cases by porn industry plaintiffs is minimal.

Third, “[t]he inference of nuisance intent that arises when the first two factors are satisfied only gets stronger when there is a wide chasm between the plaintiff's initial demand and the eventual settlement.”<sup>78</sup> In the Porn Piracy context, the settlement letter described *supra* in Section II.B.3 states in clear terms that similarly situated copyright owners may recover up to \$150,000 per infringing file; however, the settlement offer only requests the sum of \$2900.<sup>79</sup> The third requirement is met due to the huge chasm between the claimed value of the plaintiff's claim and the requested settlement.

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75. *Id.* at 254.

76. *Id.* at 255.

77. *Id.* at 256.

78. *Id.* at 258.

79. Settlement Letter, *supra* note 23.

Fourth, there is a correlation between the settlement offer amount and the merits of the underlying claim.<sup>80</sup> If the settlement offer is high, the more likely the claim has merit, and if the settlement offer is low, the less likely the claim is meritorious. A settlement offer of around \$3000 is so low that even hiring an attorney to review the merits of the offer would prove cost-ineffective, not to mention the costs of actually defending the case. The low nature of these offers seems to further bolster the presumption that the plaintiff believes the claims to be meritless.

Lastly, whether the complaint appears meritless on its face or after discovery may be the least important of the factors because there are “inherent problems with looking at the complaint to determine the plaintiff’s state of mind.”<sup>81</sup> This last factor primarily focuses on determining whether the plaintiff did indeed have a bad faith motive, and this subjective factor should be weighed less than the four, more objective factors outlined *supra*.<sup>82</sup>

Opponents of nuisance settlements have argued for solutions ranging from mandatory summary judgment for all civil actions<sup>83</sup> to new statutory causes of action addressing nuisance settlements.<sup>84</sup> Some of the problems presented by nuisance settlements could be addressed through a Rule 11 theory similar to that used in *Elster*. McMillian’s five-factor test should be incorporated into the Rule 11 coercing settlement theory because, in practice, a nuisance settlement is nothing more than a coercive settlement in that the plaintiff gives the defendant no other financially viable solution other than accepting the nuisance settlement offer. Logistically, this Rule 11 challenge would take place after the defendant receives the settlement letter. Although Federal Rule of Evidence 408 usually excludes evidence of compromise or settlement negotiations, the defendant could assert that the settlement offer is offered to show the plaintiff’s intent in bringing the suit, namely to coerce settlement through the use of a nuisance settlement offer, rather than purposes prohibited by Rule 408. If the court receives the settlement offer, it could apply McMillian’s five-factor test to determine if the settlement offer constitutes a nuisance settlement and ultimately determine if the suit was brought for the primary purpose of coercing settlement and thus be sanctionable. However, it is uncertain whether a court would be willing to receive the settlement offer at a Rule 11 hearing on sanctions because of courts’ general reluctance to get involved in settlement negotiations.

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80. McMillian, *supra* note 72, at 261.

81. *Id.* at 263.

82. *Id.*

83. See Randy J. Kozel & David Rosenberg, *Solving the Nuisance-Value Settlement Problem: Mandatory Summary Judgment*, 90 VA. L. REV. 1849 (2004).

84. McMillian, *supra* note 72, at 264-65.

### C. Abuse of Judicial Process

From a logical standpoint, Rule 11 sanctions for an abuse of the judicial process provide perhaps the strongest basis for sanctions. In reality, the sole purpose of initiating the porn piracy suits is to obtain ex parte discovery of the identities of IP addresses the porn industry plaintiff would not have access to “but for” the court allowing the discovery. The fact that the vast majority of the cases filed are never pursued beyond the discovery of the identities of IP addresses further bolsters the proposition that the sole purpose of initiating the suits is to obtain ex parte discovery. In essence, the porn industry plaintiffs use the court’s authority to discover that which is typically not discoverable in order to present the discovered parties with a settlement offer designed to force the parties into settlement. Thus, the porn industry plaintiffs are abusing the court’s judicial process through the initiation of sham lawsuits, lawsuits the plaintiffs have no intent to pursue, to obtain the identities of IP addresses for settlement purposes.

Although sensible from a logical standpoint, this reasoning is not necessarily in line with the reasoning used by the courts in examining Rule 11 abuse of process sanctions. Instead, the focus of these cases is usually whether counsel could reasonably argue in support of his position at the time the complaint is filed.<sup>85</sup> The inquiry then focuses primarily on whether the conduct or question was reasonable “under the circumstances.”<sup>86</sup> In the porn piracy cases, a challenge would likely rest on the party’s inquiry into the facts of the case, and in determining the reasonableness of that inquiry, the court may consider:

[W]hether the signer of the documents had sufficient time for investigation; the extent to which the attorney had to rely on his or her client for the factual foundation underlying the pleading, motion, or other paper; whether the case was accepted from another attorney; the complexity of the facts and the attorney’s ability to do a sufficient pre-filing investigation; and whether discovery would have been beneficial to the development of the underlying facts.<sup>87</sup>

Under this standard for abuse of process, a porn piracy defendant fights an uphill battle because of the lack of available information a porn piracy plaintiff can rely on in a pre-filing investigation and because of the necessity for discovery to benefit the development of the underlying facts of the claim.

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85. *Teamsters Local Union No. 430 v. Cement Exp., Inc.*, 841 F.2d 66, 70 (3d Cir. 1988).

86. *Bus. Guides, Inc. v. Chromatic Commc’ns Enters., Inc.*, 498 U.S. 533, 551 (1991).

87. *Brown v. Fed’n of State Med. Bds. of the United States*, 830 F.2d 1429, 1435 (7th Cir. 1987).

#### D. Personal Jurisdiction

As discussed *supra* in Section II.A, the specific geographic location associated with IP addresses is not ascertainable, at least not with one hundred percent certainty. This fact alone presents particular problems in a suit against hundreds, if not thousands, of IP addresses. In filing a complaint, Federal Rule of Civil Procedure 8(a)(1) requires that a complaint contain “a short and plain statement of the grounds for the court’s jurisdiction, unless the court already has jurisdiction and the claim needs no new jurisdictional support.”<sup>88</sup> The requirement of the Federal Rules and the inability to determine geographic location of IP addresses raises an interesting question regarding how the porn industry plaintiffs are meeting the requirement of Rule 8. Either the plaintiffs are lying to the court by claiming that the court has personal jurisdiction over the Doe defendants or the plaintiffs can somehow determine the location of the Doe defendants while lying to the court in order to obtain a larger volume of *ex parte* discovery. No matter which alternative is true, both would appear to be sanctionable because they encompass blatant misrepresentations to the court.

In *Ferrer Delgado v. Sylvia de Jesus*, the court, in addressing Rule 11 sanctions, stated that “[l]awyers have a responsibility before subscribing their names to complaints, to ascertain that a reasonable basis exists for the allegations for jurisdiction . . . .”<sup>89</sup> There, the plaintiff had litigated with the defendant for five years, and after a judgment against the plaintiff that the defendant appealed to the highest court in the Commonwealth of Puerto Rico, the plaintiff asked the federal district court to hear his case.<sup>90</sup> The court found the case frivolous based on the court’s lack of jurisdiction and sanctioned the plaintiff.<sup>91</sup>

In *Phoenix Airway Inn Associates v. Essex Financial Services, Inc.*, the plaintiff filed a complaint that was later dismissed for lack of personal jurisdiction, and the defendant sought to impose Rule 11 sanctions against the plaintiff.<sup>92</sup> The relevant inquiry was “whether before filing the complaint [the plaintiff] made reasonable inquiry into the facts and law supporting the complaint’s allegations of jurisdiction.”<sup>93</sup> In reviewing the complaint, the court noted that “[n]owhere [did] the complaint allege facts supporting this court’s *in personam* jurisdiction: the complaint mention[ed] no travel by defendants to Illinois, no business solicitation by defendants in

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88. FED. R. CIV. P. 8(a)(1).

89. 440 F. Supp. 979, 982 (D.P.R. 1976).

90. *Id.*

91. *Id.*

92. 741 F. Supp. 734, 734 (N.D. Ill. 1990).

93. *Id.*

Illinois, no phone calls placed or mail sent by defendants to Illinois, and no contract consummated or performed in Illinois.”<sup>94</sup> The court further made clear that Rule 11 requires a reasonable investigation into the law and facts in favor of personal jurisdiction *before* the complaint is filed.<sup>95</sup>

In *Route Messenger Services, Inc. v. Holt-Dow, Inc.*, the plaintiff alleged the court had subject-matter jurisdiction over the claim based on diversity jurisdiction; however, the plaintiff failed to include the defendant-corporation’s principle place of business.<sup>96</sup> The court, in finding the defendant’s principle place of business ultimately destroyed diversity jurisdiction, held the plaintiff’s “failure to include in the complaint a statement regarding [the defendant’s] principle place of business appear[ed] intentional, to fabricate complete diversity of citizenship between the parties, and thus, federal jurisdiction.”<sup>97</sup>

Following these cases, a porn industry plaintiff could be sanctioned under Rule 11 for filing their cases in federal court. The *Phoenix Airway* opinion is clear that a reasonable investigation into the facts is necessary before filing the complaint; however, the approach of most porn piracy plaintiffs has been to file first and worry about personal jurisdiction later. In fact, in the best-case scenario for the porn piracy plaintiff, the question of personal jurisdiction will never be reached because once the names of the IP addresses are obtained, the plaintiff can then pursue settlement and voluntarily dismiss the underlying claim. In order to hold the plaintiffs accountable for their representations in their complaints, courts should conduct an *in camera* review of the discovered identities of the IP addresses before handing them over to the porn piracy plaintiff. During this review, if the court lacks personal jurisdiction over a sufficient number of the potential defendants, the court should impose Rule 11 sanctions *sua sponte* for the porn piracy plaintiff’s personal jurisdiction misrepresentation and ultimately withhold the list of identified IP addresses. The purpose of this *sua sponte* motion for Rule 11 sanctions is twofold: to deter future misrepresentations by Porn Piracy plaintiffs and to instill in the plaintiffs a greater desire to reasonably investigate facts surrounding personal jurisdiction. Although IP addresses cannot be geographically located with one hundred percent accuracy, the threat of a *sua sponte* motion gives the plaintiff a strong incentive to conduct available tests, many of which can be found by typing “locate an IP address” into Google, to determine the IP addresses’ locations so the plaintiff will not be sanctioned when the list of identities behind the IP addresses is discovered.

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94. *Id.* at 734-35.

95. *Id.* at 736.

96. 139 F.R.D. 311, 312 (S.D.N.Y. 1991).

97. *Id.*

### E. Rule 11: Catalyst, But Not Solution

Although Rule 11 sanctions may compel Porn Industry plaintiffs to take more care in pursuing their claims, they do not fully solve the problem. Just like the music and film industries before it, the porn industry has valid copyrights to protect from a large number of Internet “pirates.” These plaintiffs have a clear incentive and strong interest to conduct large-scale discovery of the identities of the potential infringers, but this interest must be weighed against a defendant’s interest in defending himself in a convenient forum. Allowing a defendant to defend himself in a convenient and proper forum reduces some of the risks associated with these lawsuits because defending oneself becomes much less expensive when one can do so nearby as opposed to thousands of miles away. The proposal outlined in Section IV presents a possible way to balance these interests.

## IV. PROPOSAL

The current system for pursuing these claims is untenable, as it puts the numerous John Doe defendants at risk of settling possibly non-meritorious claims against them because of the threat of being associated with the illegal downloading of pornography or the costs of defending oneself in a distant forum. The current system is also broken regarding the vast amount of courts that do not allow porn piracy plaintiffs to pursue copyright enforcement against those who seek to illegally infringe on the plaintiffs’ copyrighted material. A balance must be struck between both defendants’ and plaintiffs’ interests. The proposed solution involves the utilization of the Judicial Panel on Multidistrict Litigation.

The Judicial Panel on Multidistrict Litigation (JPML) provides an efficient alternative to managing these cases while avoiding the venue and personal jurisdiction problems associated with the porn piracy cases. The JPML can get involved in these cases in two possible scenarios, but before delving further into these scenarios, one must first understand the purpose of the JPML.

### A. Judicial Panel on Multidistrict Litigation

The JPML exists primarily to consolidate and transfer cases pending in different federal districts.<sup>98</sup> Through the JPML, litigation may be permitted in a “single, logical district even if that district would otherwise be unavailable due to venue or personal jurisdiction limitations.”<sup>99</sup> The

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98. DAVID F. HERR, MULTIDISTRICT LIT. MAN. § 1:1 (2011).

99. *Id.*

JPML is focused on case management, and the JPML is to “optimize the functioning of the federal judicial system for the benefit of all the litigants.”<sup>100</sup> Therefore, the arguments in front of the JPML tend to be very pragmatic with a concentration on the practicalities facing all parties involved in the suit.<sup>101</sup> The JPML can only transfer cases for coordinated or consolidated pretrial proceedings and cannot transfer cases once trial is commenced.<sup>102</sup> In addition, the JPML is “empowered only to transfer cases *pending* in separate districts prior to trial.”<sup>103</sup> The JPML is “authorized to act only when actions ‘are pending in different districts.’”<sup>104</sup> Armed with a brief understanding of the purpose behind the JPML, the two scenarios where the JPML can be utilized in the porn piracy context will be explored below.

#### B. Copyright Enforcer Utilization of the JPML

A porn industry plaintiff should use the JPML to avoid some of the personal jurisdiction problems present in the typical porn piracy case. The porn industry plaintiff can use the Internet tools referenced *supra* in Section III.D to attempt to establish the approximate locations of the IP addresses identified to have engaged in copyright infringement. The plaintiff can then initiate multiple actions in different federal forums nearby the discovered locations. The plaintiff can then move for a transfer and consolidation of the pending cases by way of the JPML. The JPML can then locate an appropriate forum for consolidated pre-trial discovery where the plaintiff can discover the actual identities of the IP addresses without the personal jurisdiction and venue problems present in the current pursuit of these cases. Once the identities of the IP addresses are discovered and the transferee court deals with any additional issues common to the claims, the JPML can remand the cases back to the original transferor court so that the case can proceed to trial.

Although this process will present plaintiffs with additional costs, plaintiffs will protect themselves from possible Rule 11 sanctions. Additionally, plaintiffs can recoup costs associated with this process by increasing the settlement offers to the discovered defendants. On the flip side, porn piracy defendants will have access to a more convenient forum and be better able to defend themselves if wrongly accused. Also, the higher settlement offer, resulting from the additional costs plaintiffs will incur, will avoid the “nuisance settlement” problem because innocent

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100. *Id.*

101. *Id.*

102. *Id.* § 3:6.

103. *Id.* § 3:8.

104. *Id.* § 3:12.

defendants will be more likely to defend themselves due to the cost of the defense being less than the offered settlement. Although a higher settlement offer and the possibility of more litigation may seem like an undesirable result, the process avoids coercive tactics used by some porn industry plaintiffs whose only goal is to bully defendants into paying the plaintiffs whether or not the defendants actually infringed the plaintiffs' copyrights. This proposed process, taken to its logical result, should lead to more research and preparation on the plaintiff's end to ensure that the claims pursued are very strong because, even with increased settlement offers, it does not make economic sense to pursue weak claims due to the costs associated with pursuing potentially unsuccessful suits.

Although the above process would operate smoothly, it assumes porn industry plaintiffs will voluntarily pursue their actions through the utilization of the JPML. Another possible scenario, although not as smooth, does not require porn industry plaintiffs voluntarily requesting the JPML's services.

### C. JPML Initiated Proceedings

Even if the porn industry plaintiff does not commence proceeding before the JPML, the JPML can commence proceedings on its own initiative.<sup>105</sup> Although this practice is not common, the JPML encourages "clerks of district courts to advise the [JPML] of actions that may be suitable for consideration of transfer by the [JPML]."<sup>106</sup> Once initiated, the proceedings move forward in the same fashion as described above because "[p]roceedings before the [JPML] are essentially the same regardless of whether the [JPML] or a litigant initiates transfer."<sup>107</sup> Due to current district courts' reluctance to allow these cases to proceed, as outlined *supra* in Section II.C, court clerks can essentially avoid allowing the ex parte discovery themselves by notifying the JPML of the proceeding. However, there must also be another pending case in another district court dealing with the same or similar underlying claim.

The pendency issue may present some difficulties. If the court clerk is aware of other actions dealing with the same copyright being infringed in other district courts, the clerk can notify the JPML, and the JPML can consolidate the two or more cases in a convenient forum for pre-trial discovery. Once consolidated, the proceedings would move forward in a similar fashion as described *supra* in Section IV.B. If this is not the case, the clerk may attempt to persuade the JPML to combine the clerk's pending

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105. *Id.* § 4:4.

106. *Id.*

107. *Id.*

case with another similar pending case involving unrelated porn industry plaintiffs. Due to the commonality of the desired result, namely *ex parte* discovery of IP addresses, the JPML may consolidate the suits because of their similar nature and the similar issues and facts presented in the two or more cases. If the JPML allows consolidation, the proceedings again move forward similarly to the process described *supra* in Section IV.B.

Ultimately, an alternative utilizing the JPML allows the defendant the ability to defend himself in a convenient forum, while still allowing the plaintiff to pursue valid copyright enforcement. In addition, the increased cost of litigation for the porn piracy plaintiff creates an incentive to pursue only those claims that are financially worth pursuing, thus reducing the possibility of mistaken identification or faulty piracy detection programs, as seen in the Penn State case discussed *supra* in Section II.D.

## V. CONCLUSION

Although porn industry plaintiffs have a strong interest in protecting their copyrighted materials from digital pirates, the current system for enforcing those copyrights is untenable due to its potential for abuse in coercing possibly innocent defendants into settlements through shame and embarrassment resulting from the nature of the suit. In order to facilitate a change in the process pursued by porn industry plaintiffs, Rule 11 sanctions should be brought against plaintiffs on the four grounds described *supra* in Section III, namely coercing settlement, embodying nuisance settlements, abusing the judicial process, and lacking a basis in personal jurisdiction. Rule 11 sanctions could ultimately act as a catalyst to change the manner in which these claims are pursued, with the end result being a process utilizing the Judicial Panel on Multidistrict Litigation, which balances both the plaintiffs' interests in enforcing their copyrights and the defendants' interests in defending themselves in a convenient forum.

