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SOUTHERN DISTRICT OF CALIFORNIA
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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

INTERLABSERVICE, OOO, a Russian
limited liability company,

Plaintiff,

v.

ILLUMINA, INC., a Delaware
corporation,

Defendant.

Case No.: 15cv2171-KSC

**ORDER GRANTING DEFENDANT'S
MOTION FOR POSTING OF A
BOND PURSUANT TO
CALIFORNIA CODE OF CIVIL
PROCEDURE SECTION 1030;
ORDER REQUIRING PLAINTIFF
TO POST A BOND IN THE
AMOUNT OF \$58,422.50**

[Doc. No. 30.]

Before the Court is defendant's Motion for Posting of a Bond Pursuant to California Code of Civil Procedure Section 1030 [Doc. No. 30]; plaintiff's Opposition to the Motion [Doc. No. 33]; and defendant's Reply [Doc. No. 34]. In the Motion, defendant argues that plaintiff should be ordered by the Court to post a security bond for defendant's anticipated litigation costs in the amount of \$77,517.50. Defendant argues that plaintiff should be ordered to post a security bond, because it is a foreign entity that is essentially immune from judgment in California, and because defendant has shown

1 there is a reasonable possibility that it will prevail against plaintiff in this action and
2 obtain a judgment in its favor. [Doc. No. 30-1, at pp. 12-21.]

3 In its Opposition, plaintiff contends that no security bond should be imposed,
4 because defendant failed to meet its burden of showing there is a reasonable probability it
5 will prevail in the action. In addition, plaintiff argues that it will be unfairly burdened if
6 the Court imposes a security bond, and this burden could preclude resolution of the case
7 on the merits. Even if the Court determines that a bond is proper, plaintiff argues that the
8 amount requested by defendant is excessive and should be reduced. [Doc. No. 33, at pp.
9 9-10.]

10 For the reasons outlined below, the Court finds that plaintiff's Motion for Posting
11 of a Bond Pursuant to California Code of Civil Procedure Section 1030 must be
12 GRANTED. As outlined more fully below, the Court finds that plaintiff must be ordered
13 to post a bond in the amount of \$58,422.50. This amount represents the reasonable costs
14 defendant expects to recover if it prevails against plaintiff on the causes of action in the
15 First Amended Complaint.

16 Background

17 Plaintiff's First Amended Complaint includes causes of action for breach of
18 contract and common counts. According to the First Amended Complaint, plaintiff
19 Interlabservice, OOO, is a limited liability company based in Russia, and defendant
20 Illumina is a Delaware corporation with headquarters in San Diego. [Doc. No. 20, at pp.
21 1-2.] Jurisdiction in this case is based on diversity of citizenship. [Doc. No. 20, at p. 2.]

22 Plaintiff alleges in the First Amended Complaint that it entered into a series of
23 distributor agreements with defendant Illumina, Inc. between 2011 and 2014. Under the
24 terms of these agreements, plaintiff was required to provide warranty services to end
25 customers who purchased defendant's products through plaintiff. [Doc. No. 20, at pp. 3-
26 4.] According to plaintiff, defendant was obligated under these agreements to reimburse
27 plaintiff for the expense of providing warranty services and replacement parts to end
28 customers. [Doc. No. 20, at p. 4, ¶¶ 14, 17.]

1 Plaintiff alleges that defendant breached the agreements by refusing to honor its
2 warranty obligations. As a result, plaintiff claims it was forced to provide warranty
3 services, supplies, and parts to customers without any compensation from defendant.
4 [Doc. No. 20, at pp. 5-6.] Plaintiff's claims for damages caused by defendant's alleged
5 failure to meet its contract obligations exceeds \$500,000. [Doc. No. 20, at p. 7.]

6 Defendant filed a Cross-Complaint against plaintiff which includes the following
7 causes of action: (1) breach of written contract; (2) breach of covenant of good faith and
8 fair dealing; (3) breach of fiduciary duty; and (4) intentional interference with economic
9 advantage. [Doc. No. 2, at p. 1.] The Cross-Complaint claims damages in excess of
10 \$75,000. [Doc. No. 2, at pp. 7-8.]

11 Defendant's Cross-Complaint generally alleges that it entered into distributor
12 agreements with plaintiff which required plaintiff to "use all commercially diligent
13 efforts to market, distribute and support" defendant's medical devices in Russia and to
14 refrain from undertaking any "unilateral activities" involving defendant's medical
15 devices after the agreement terminated. [Doc. No. 2, at p. 3.] In connection with the
16 distributor agreements, defendant alleges that it also issued a written power of attorney
17 authorizing plaintiff to act as its representative in Russia, so that plaintiff could register
18 defendant's products with the Russian government as required under Russian law. [Doc.
19 No. 2, at p. 3.] Defendant believes plaintiff was aware that defendant could not import,
20 market, or sell its medical devices in Russia without "continued registration." [Doc. No.
21 2, at p. 3.]

22 The Cross-Complaint further alleges that the most recent distributor agreement
23 expired by its own terms on December 31, 2014. [Doc. No. 2, at p. 3.] Defendant alleges
24 that plaintiff secretly and maliciously de-registered defendant's medical devices in Russia
25 sometime between December 2014 and May 2015. [Doc. No. 2, at pp. 3-4.] Defendant's
26 belief is that plaintiff de-registered the medical devices in order to disrupt and interfere
27 with defendant's relationship with its new distributor and to retaliate against defendant
28 for allowing the distributor agreements between plaintiff and defendant to terminate

1 without renewal. [Doc. No. 2, at pp. 6-7.] As a result of this de-registration of medical
2 devices, defendant claims it experienced an “actual disruption” of its existing and
3 potential business relationships and its ability to market and sell its medical devices in
4 Russia through its new distributor. Defendant further claims that it incurred attorney’s
5 fees and other expenses to reinstate the registration of its medical devices in Russia.
6 [Doc. No. 2, at pp. 4-7.]

7 Discussion

8 I. Defendant’s Motion for a Bond to Secure Costs.

9 In support of its Motion for Post of a Bond, defendant cites Civil Local Rule
10 65.1.2(a) and California Code of Civil Procedure Section 1030. Essentially, defendant’s
11 argument is that its request for a security bond is justified, because defendant has met its
12 burden of showing it is likely to defeat plaintiff’s breach of contract and common counts
13 causes of action. According to defendant, plaintiff cannot prevail against defendant on
14 these causes of action, because it is unable to point to any specific terms of the parties’
15 distributor agreements that defendant breached. [Doc. No. 30-1, at pp. 13-15.] In
16 Opposition, plaintiff contends that it will prevail in the action, because the terms of the
17 parties’ distributor agreements support its allegation that defendant breached the
18 agreements by failing to fulfill its warranty obligations. [Doc. No. 33, at pp. 3-6.]

19 Local Rule 65.1.2(a) states as follows: “A judge may, upon demand of any party,
20 where authorized by law and for good cause shown, require any party to furnish security
21 for costs which may be awarded against such party in an amount and on such terms as are
22 appropriate.” CivLR 65.1.2(a). In *Montserrat Overseas Holdings, S.A. v. Larsen*, 709
23 F.2d 22 (9th Cir. 1983), the Ninth Circuit considered whether a similar court rule was
24 properly applied by the District of Hawaii. Citing Rule 290-1 of the Rules of Court for
25 the District of Hawaii, the plaintiff in a diversity action alleging breach of a real estate
26 contract was ordered by the Court to post a bond to cover potential attorney’s fees. *Id.* at
27 24. On appeal, the Ninth Circuit affirmed the order requiring the plaintiff to post a bond
28 for potential attorney’s fees, because the plaintiff was a foreign corporation with no assets

1 in the United States, the amount of the bond was not excessive, Hawaii law provided for
2 the recovery of attorney's fees, and the action appeared to lack merit. *Id.* at 24-25.

3 "There is no specific provision in the Federal Rules of Civil Procedure relating to
4 security for costs. However, the federal district courts have inherent power to require
5 plaintiffs to post security for costs." *In re Merrill Lynch Relocation Management, Inc.*,
6 812 F.2d 1116, 1121 (9th Cir.1987). "Typically federal courts, either by rule or by case-
7 to-case determination, follow the forum state's practice with regard to security for costs,
8 as they did prior to the federal rules; this is especially common when a non-resident party
9 is involved." *Simulnet East Associates v. Ramada Hotel Operating Co.*, 37 F.3d 573, 574
10 (9th Cir. 1994), citing 10 Wright, Miller & Kane, *Federal Practice and Procedure: Civil*
11 2nd § 2671. In sum, this Court has authority to impose a bond requirement under Local
12 Rule 65.1.2(a) and/or California Code of Civil Procedure Section 1030.

13 California Code of Civil Procedure Section 1030 provides in part as follows:
14

15 (a) When the plaintiff in an action or special proceeding resides out of
16 the state, or is a foreign corporation, the defendant may at any time apply to
17 the court by noticed motion for an order requiring the plaintiff to file an
18 undertaking to secure an award of costs and attorney's fees which may be
19 awarded in the action or special proceeding. For the purposes of this section,
20 'attorney's fees' means reasonable attorney's fees a party may be authorized
21 to recover by a statute apart from this section or by contract.

22 (b) The motion shall be made on the grounds that the plaintiff resides
23 out of the state or is a foreign corporation and that there is a reasonable
24 possibility that the moving defendant will obtain judgment in the action or
25 special proceeding. The motion shall be accompanied by an affidavit in
26 support of the grounds for the motion and by a memorandum of points and
27 authorities. The affidavit shall set forth the nature and amount of the costs
28 and attorney's fees the defendant has incurred and expects to incur by the
conclusion of the action or special proceeding.

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1 (c) If the court, after hearing, determines that the grounds for the
2 ~~motion have been established, the court shall order that the plaintiff file the~~
3 ~~undertaking in an amount specified in the court's order as security for costs~~
4 ~~and attorney's fees.~~

5 Cal. Code Civ. Proc. §§ 1030(a)-(c).

6 “The purpose of [Section 1030] is to enable a California resident sued by an out-
7 of-state resident to secure costs in light of the difficulty of enforcing a judgment for costs
8 against a person who is not within the court’s jurisdiction.” *Yao v. Superior Court*, 104
9 Cal. App. 4th 327, 331 (2002) (internal citations and quotations omitted). Under
10 California law, a defendant seeking to impose a bond under Section 1030 has the burden
11 to show there is a “reasonable possibility” that it will prevail in the action and obtain
12 judgment in its favor. *Baltayan v. Estate of Getemyan*, 90 Cal. App. 4th 1427, 1432
13 (2001). A plaintiff “seeking relief from the requirement of posting a bond or undertaking
14 has the burden of proof to show entitlement to such relief. [¶]If adequate evidence
15 supports relief from the requirement of posting a bond or undertaking, the trial court may
16 then exercise its discretion by waiving the requirement of a security.” *Williams v.*
17 *FreedomCard, Inc.*, 123 Cal. App. 4th 609, 614 (2004).

18 When considering whether to order an out-of-state or foreign plaintiff to post a
19 security bond, the Ninth Circuit in *Simulnet v. Ramada*, 37 F.3d 573, held that District
20 Courts must “strike a delicate balance” and take care “not to deprive a plaintiff of access
21 to the federal courts,” as this could have “serious constitutional implications.” *Id.* at 575-
22 576. The Ninth Circuit also cited several key factors that should be considered to
23 determine whether it is appropriate to impose a bond to secure potential costs. These
24 factors include: (1) the purpose of the action and whether it was being pursued for an
25 improper purpose; (2) whether the posting of a bond would effectively infringe an
26 impecunious plaintiff’s constitutional right of access to the courts; (3) the degree of
27 probability or improbability of success on the merits; and (4) the fairness and

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1 reasonableness of the amount of the security bond being sought as viewed from the
2 perspectives of the moving defendant and the non-domiciliary plaintiff. *Id.* at 575-576.

3 In *Simulnet v. Ramada*, 37 F.3d at 573, the Ninth Circuit considered whether the
4 Nevada District Court properly applied a Nevada statute that is similar to California's
5 Section 1030 when it ordered the out-of-state plaintiff to post a cost bond five days
6 before trial. *Id.* at 574. The litigation progressed in the District Court for three years
7 without a request for a cost bond. During this time, the parties engaged in extensive
8 discovery and the District Court denied two summary judgment motions by the
9 defendant. At the pre-trial conference five days before trial, the defendant argued that the
10 plaintiff should be ordered to post a cost bond, because it had already incurred a
11 substantial amount of attorney's fees and costs to defend the action, and the underlying
12 contracts provided for attorneys' fees to the prevailing party. When asked whether it
13 would be able to pay these costs if the defendant prevailed in the action, the plaintiff
14 acknowledged that it was insolvent. *Id.* Based on the amount of fees and costs defendant
15 said it had already incurred, the District Court imposed a \$500,000 cost bond. *Id.* When
16 the plaintiff was unable to post the bond, the District Court dismissed the action. *Id.*

17 On appeal, the Ninth Circuit in *Simulnet v. Ramada* reversed, concluding based on
18 the particular facts and circumstances of the case that the District Court abused its
19 discretion in imposing the cost bond. *Id.* at 576. Noting that the "common practice" is to
20 "apply the applicable state law," the Ninth Circuit's reversal was based in part on the
21 District Court's failure to follow Nevada law. However, the Ninth Circuit's main
22 concern was that the plaintiff had been unconstitutionally deprived of "access to the
23 federal courts" because of an "impecunious circumstance." *Id.* at 575-576. Key facts
24 cited by the Ninth Circuit to support the reversal were that: (1) the District Court knew
25 the plaintiff would be unable to post the bond; (2) there was nothing to indicate the
26 plaintiff was pursuing the case for an improper purpose; (3) the case proceeded for three
27 years without a bond; and (4) the plaintiff's claims survived two defense motions for
28 summary judgment, so it was apparent there were issues of fact for trial. *Id.*

1 More recently, in at least two unpublished cases, the Ninth Circuit concluded cost
2 bonds were appropriate under California Code of Civil Procedure 1030. First, in *Kourtis*
3 *v. Cameron*, 358 Fed.Appx. 863 (9th Cir. 2009), a copyright infringement action, the
4 Ninth Circuit held that cost bonds imposed by the District Court under Section 1030 were
5 appropriate, because the plaintiffs lived out of state and the defendants were able to show
6 a “reasonably possibility” they would prevail based on a favorable ruling in a
7 “substantially similar” case. *Id.* The Ninth Circuit also concluded the amount of the
8 bond was reasonable, particularly because the District Court “reasonably reduced” the
9 amount of the bond when the plaintiffs “presented additional financial information.” *Id.*
10 at 867.

11 Similarly, in *Pittman v. Avish Partnership*, 525 Fed.Appx. 591 (9th Cir. 2013), an
12 Americans with Disabilities Act case, the Ninth Circuit concluded that a cost bond was
13 appropriate under California Code of Civil Procedure Section 1030, because the plaintiff
14 lived out of state, and the defendant met its burden of showing it was likely to prevail in
15 the action. Defendant met this burden by submitting evidence showing that plaintiff’s
16 attorney had a history of filing frivolous lawsuits against the defendants. Defendant also
17 submitted evidence demonstrating that the plaintiff made statements during deposition
18 testimony in other lawsuits that were “irreconcilable” with the allegations in the pending
19 action. *Id.* at 593. The Ninth Circuit further concluded that the amount of the bond was
20 reasonable, because the District Court properly considered the amount of the bond from
21 the perspective of both plaintiff and defendants and reduced the amount of the bond from
22 \$240,000 to \$50,000 after giving the plaintiff an opportunity to submit additional
23 financial information. *Id.* at 594.

24 Here, it is undisputed that plaintiff is a limited liability company based in Russia.
25 In addition, plaintiff does not challenge defendant’s contention that a judgment issued by
26 this Court against plaintiff would be unenforceable in Russia. [Doc. No. 33, at pp. 1-2;
27 Doc. No. 20, at pp. 1-2.]

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1 Accordingly, the Court finds that subsection (a) of California Code of Civil Procedure
2 Section 1030 has been satisfied, because plaintiff is a foreign corporation.

3 Defendant argues there is a reasonable possibility that it will defeat the two causes
4 of action alleged in the First Amended Complaint for breach of contract and common
5 counts. [Doc. No. 30-1, at p. 13.] Both of these causes of action are based on the same
6 set of factual allegations. [Doc. No. 20, at pp. 4-7.] In defendant's view, plaintiff has not
7 cited and cannot cite any specific provision of the subject distributor agreements that
8 defendant breached, because there is nothing in the parties' agreements that specifically
9 state that defendant was required to reimburse or compensate plaintiff for warranty
10 services or parts. [Doc. No. 30-1, at pp. 14-15.]

11 Defendant also submitted several declarations in support of its Motion, at least two
12 of which persuasively challenge plaintiff's theory of the case. [Doc. No. 30-4, at pp. 1-
13 4.] Mr. Garcia's Declaration states that he has been a Senior Distribution Manager for
14 defendant's international operations since April 2012. In this position, Mr. Garcia is
15 responsible for managing distribution and sales channels in Europe, the Middle East, and
16 Africa. [Doc. No. 30-4, at p. 1.] From April 2012 through January 2014, he worked with
17 plaintiff and was plaintiff's "primary point of contact." [Doc. No. 30-4, at p. 2.]

18 Mr. Garcia explains in his Declaration that plaintiff and defendant operated during
19 the relevant time period pursuant to distributor agreements. Plaintiff would purchase
20 defendant's products directly from defendant and resell them to customers in Russia,
21 Ukraine, and Kazakhstan. [Doc. No. 30-4, at p. 2.] Defendant's products "generally
22 come with a one-year warranty guaranteeing free replacement parts to end-customers."
23 [Doc. No. 30-4, at p. 2.] Pursuant to the parties' distributor agreements, plaintiff would
24 receive warranty requests directly from customers, order replacement parts from
25 defendant free of charge, and then provide those parts and warranty services to the
26 customers free of charge. [Doc. No. 30-4, at p. 2.]

27 Mr. Garcia further explains in his Declaration that his primary contact with
28 plaintiff was through its representative, Andrey Lomonosov. [Doc. No. 30-4, at 2.] In

1 2012, Mr. Garcia states that he was advised by Mr. Lomonosov about a problem plaintiff
2 was having with ordering replacement parts free of charge from defendant for customers
3 with warranty issues. Under Russian law, parts ordered on a free-of-charge basis were
4 subject to customs duties, various taxes, and a long, cumbersome process that took many
5 months to complete. As a result, Mr. Lomonosov advised Mr. Garcia that plaintiff had
6 decided to order and pay for replacement parts for some customers and had spent some
7 \$30,000 to \$40,000 doing so. In addition, plaintiff delayed ordering about \$80,000 worth
8 of parts for other customers with warranty issues. [Doc. No. 30-4, at p. 3.]

9 Mr. Garcia states in his Declaration that in late 2012 the parties discussed the
10 replacement parts issue during meetings and reached an agreement so that plaintiff could
11 avoid the difficulties associated with ordering parts on a free-of-charge basis. According
12 to Mr. Garcia, defendant agreed to increase plaintiff's discount on its purchases of
13 defendant's products from 15 percent to 20 percent. This extra discount was then
14 incorporated into the parties' 2013 distributor agreement. At the time, the parties
15 believed this would be enough to compensate plaintiff for having to pay for replacement
16 parts instead of ordering them on a free-of-charge basis. [Doc. No. 30-4, at p. 3.] In
17 support of his Declaration, Mr. Garcia also submitted copies of e-mails which reflect that
18 Mr. Lomonosov understood the parties' agreement and that plaintiff would be responsible
19 for paying the cost of warranty orders thereafter. [Doc. No. 30-4, at pp. 3-4.]

20 Defendant also submitted the Declaration of Mr. Lomonosov, which states that he
21 worked for plaintiff from 2011 to 2014 and during this time period was responsible for
22 managing plaintiff's relationship with defendant. Based on a review of the Declaration of
23 Mr. Lomonosov, it is apparent that his understanding of the distributor agreements and
24 the parties' working relationship during the relevant time period is the same as that of
25 Mr. Garcia. [Doc. No. 30-6, at pp. 1-3.]

26 In Opposition to defendant's Motion, plaintiff argues that it will prevail on the
27 merits of its First Amended Complaint, because the terms of the distributor agreements
28 support its allegations that defendant was responsible for all warranty obligations

1 “without any changes” and “until the very end” of the parties’ business relationship.

2 [Doc. No. 33, at pp. 2-9.] In support of its Opposition, plaintiff submitted the Declaration
3 of Dmitry Veryutin which contradicts the Declarations submitted by defendant. [Doc.
4 No. 33-1, at pp. 1-8.]

5 Mr. Veryutin’s Declaration states that he is a member of plaintiff’s board of
6 directors and is responsible for its legal affairs. [Doc. No. 33-1, at p. 2.] In conclusory
7 fashion, Mr. Veryutin states that defendant “was always responsible for reimbursing
8 [plaintiff’s] cost of providing customer support and cost of replacement parts for
9 [defendant’s] products covered by the warranty.” [Doc. No. 33-1, at p. 3.] Although
10 Mr. Veryutin further states that there were discussions about making changes to
11 plaintiff’s warranty obligations, he claims the proposed changes were “never finalized
12 and never became part of the distributor agreements, despite the fact that some but not all
13 transactions carried [a] bigger discount.” [Doc. No. 33-1, at p. 3.] In addition,
14 Mr. Veryutin states that any changes to the discount rate were “due to the general strategy
15 shift for [defendant] regarding its pricing for distributors worldwide, rising list prices and
16 [a] desire to maintain market share and gratitude for excellent results achieved by
17 [plaintiff] in promoting [defendant’s] products in its exclusive territory.” [Doc. No. 33-1,
18 at p. 3.] Mr. Veryutin’s Declaration also attacks the credibility of Mr. Lomonosov.
19 [Doc. No. 33-1, at p. 4.]

20 Contrary to the statements made by Mr. Garcia and Mr. Lomonosov in their
21 Declarations, it is Mr. Veryutin’s position that defendant was always responsible for
22 *reimbursing* plaintiff for the cost of warranty replacement parts and services [Doc. No.
23 33-1, at p. 3] and that any increases in the discount rate were not intended to compensate
24 plaintiff for any warranty replacements parts. [Doc. No. 33-1, at p. 3.] However,
25 plaintiff’s Opposition and Mr. Veryutin’s Declaration fail to clearly identify any specific
26 provisions of the distributor agreements which provide that defendant was required to
27 reimburse plaintiff for the cost of warranty parts and/or services. Rather, plaintiff’s
28 Opposition only cites general provisions of the distributor agreements indicating

1 defendant offered warranties on its products. Nor does plaintiff's Opposition explain
2 how it intends to prove the allegations in the First Amended Complaint that defendant
3 breached the distributor agreements by allegedly failing to reimburse plaintiff for the
4 costs of providing warranty services and replacement parts to end customers in plaintiff's
5 territory. [Doc. No. 20, at p. 4.]

6 Unlike the Declarations of Mr. Garcia and Mr. Lomonosov, Mr. Veryutin's
7 Declaration does not include details from which this Court can conclude that his
8 statements are based on personal knowledge and actual involvement in day-to-day
9 operations or negotiations.¹ The Declarations of Mr. Garcia and Mr. Lomonosov not
10 only explain the positions they held during the relevant time period but also show they
11 were in a position to understand how the distributor agreements worked in practice, and
12 how the parties understood their obligations under the distributor agreements. Although
13 Mr. Veryutin's contrary Declaration suggests there may be factual issues for trial, his
14 Declaration is not enough to convince the Court to deny defendant's Motion for Posting
15 of a Bond. Rather, based on the facts and circumstances presented, the Court finds that
16 defendant submitted more than enough evidence to show there is a reasonable possibility
17 that judgment will be entered in its favor as to the causes of action in the First Amended
18 Complaint.

19 Under the circumstances presented, the Court finds that defendant is entitled to an
20 order requiring plaintiff to post a bond or surety pursuant to California Code of Civil
21 Procedure Section 1030 and Civil Local Rule 65.1.2(a). Defendant has shown there is
22 good cause for plaintiff to furnish security for costs. In addition, defendant satisfied the
23 requirements of Section 1030 by submitting enough evidence to show that plaintiff is a
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27 ¹ Defendant filed Objections to statements made in Mr. Veryutin's Declaration.
28 [Doc. No. 34-1, at pp. 1-6.] The Court sustains plaintiff's objections to the extent they
contend that Mr. Veryutin's statements lack foundation. Fed.R.Evid. 602.

1 foreign corporation and that there is a reasonable possibility judgment will be entered in
2 its favor as to the causes of action in the First Amended Complaint.

3 ***II. Amount of the Bond or Surety.***

4 As noted above, defendant seeks an order requiring plaintiff to post a bond or
5 surety in the total amount of \$77,517.50. This amount is based on defendant's
6 anticipated recoverable pre-trial and trial costs, which are set forth in its Opposition and
7 in the Declaration of Matthew R. Jedreski, who is one of defendant's attorneys. [Doc.
8 No. 30-1, at pp. 20-21.]

9 Plaintiff argues that the amount of any bond or surety ordered by the Court should
10 be "nominal" in order to "maintain equities." [Doc. No. 33, at p. 1.] Plaintiff believes
11 the amount of the bond requested by defendant is "overly excessive" and should be
12 dramatically reduced. [Doc. No. 33, at p. 10.] In this regard, Mr. Veryutin's Declaration
13 states as follows: "Requiring [plaintiff] to pay a very large sum of money at the outset of
14 litigation would be [tanta]mount to a terminating sanction," because plaintiff would be
15 required to "deposit the full amount of [a] bond in cash in lieu of surety as [plaintiff] has
16 no credit history in the USA. [In addition, plaintiff] is already taxed by being forced to
17 litigate a case on the other side of the world against a much larger and much better
18 financed party in its own back yard." [Doc. No. 33-1, at p. 4-5.]

19 Plaintiff's Opposition argues that it was "forced" to litigate the case here rather
20 than in Russia even though most of the witnesses are located in Russia, because
21 defendant "intentionally chose a home court advantage by requiring that the case be
22 brought only in San Diego." [Doc. No. 33, at p. 2.] In this regard, plaintiff refers to
23 Section 18.8 of the distributor agreements which state in part as follows: "The parties
24 hereby consent to the exclusive jurisdiction of, and venue in, the state and federal courts
25 within San Diego County, California, U.S.A." [Doc. No. 33, at p. 2.] Defendant's Reply
26 presents a contrary view that plaintiff could have filed suit in Russia and argued that the
27 forum selection clause is unenforceable but chose instead to sue defendant here for
28 tactical and strategic advantages. [Doc. No. 34, at pp. 3-4.]

1 Despite its contention that a bond or surety requirement “would be equal to [a]
2 terminating sanction” [Doc. No. 33, at p. 10; Doc. No. 33-1, at p. 4], plaintiff did not
3 submit any specific evidence to show that it would be financially unable to meet the
4 requirement or that it would be unable to effectively litigate the case if defendant’s
5 Motion is granted. Mr. Veryutin’s Declaration merely states in conclusory fashion that
6 plaintiff’s financial condition has been adversely affected by the Russian economy; that
7 plaintiff is already disadvantaged by having to litigate the case in the United States; and
8 that plaintiff has no credit history in the United States, so plaintiff would only be able to
9 satisfy a bond requirement by depositing the full amount of the bond in cash. [Doc. No.
10 33-1, at pp. 3-4.] Therefore, based on the lack of relevant information submitted, the
11 Court has no reason to conclude that plaintiff would be effectively denied access to the
12 Court if defendant’s Motion is granted and plaintiff is ordered to post a bond.

13 ***A. Defendant’s Anticipated Pre-Trial Costs.***

14 ***1. Deposition Costs.***

15 Generally, the Federal Rules of Civil Procedure allow each party in a case to take a
16 total of ten depositions. Each deposition is generally limited to one day of seven hours.
17 Fed.R.Civ.P. 30(a)(2)(A)(i); 30(d)(1).

18 Defendant represents that it intends to take a total of ten depositions in the case.
19 First, defendant intends to depose seven of plaintiff’s officers, directors, and managing
20 agents who “had direct involvement with the formation of the [distributor agreements],
21 its modifications, the 5% discount deal, and the performance regarding warranty orders.”
22 [Doc. No. 30-2, at p. 2.] Second, defendant intends to depose Mr. Lomonosov and
23 Nikolay Egorov, plaintiff’s former employees who were “central to the negotiation of the
24 Distributors Agreement when they worked for [plaintiff], and to transactions involving
25 warranty orders with [defendant].” [Doc. No. 30-2, at p. 2.] Third, defendant intends to
26 depose plaintiff’s damages expert. [Doc. No. 30-2, at p. 2.]

27 Based on a statement previously made by plaintiff in writing, defendant anticipates
28 that plaintiff also intends to take a total of ten depositions in the case. [Doc. No. 30-2, at

1 p. 3; Doc. No. 34, at p. 10.] However, in Opposition to the instant Motion, plaintiff
2 complains that the number of anticipated depositions is too high. Plaintiff's position is
3 that each party only needs to depose two witnesses each, so the total number of
4 depositions should be four. [Doc. No. 33, at p. 10.] However, plaintiff does not explain
5 the basis for its belief that it is only necessary for the parties to depose two witnesses
6 each for a total of four depositions.² Since defendant provided adequate justification for
7 taking ten depositions and plaintiff represented that it will only need to take two
8 depositions, the Court will calculate the appropriate amount for the requested bond or
9 surety based on a total of twelve depositions, ten by defendant and two by plaintiff.
10 However, the Court will require plaintiff to seek leave of Court if it decides to take more
11 than two depositions in the case.

12 To depose the ten witnesses identified above, defendant states that "it will need a
13 court reporter and videographer" at a total cost of \$11,800.00. [Doc. No. 30-2, at p. 2.]
14 Based on "discount rates" obtained from a reporting service, Mr. Jedreski's Declaration
15 states that the cost of a videographer will be \$275.00 for the first hour and \$100.00 for
16 each additional hour for a total estimated cost of \$935.00 for each deposition. The cost of
17 a court reporter is \$35.00 per hour with a total estimated cost of \$245.00 per deposition.
18 [Doc. No. 30-2, at p. 3.] Defendant has not explained why it believes that it needs both a
19 court reporter and videographer for each and every deposition.

20 Federal Rule of Civil Procedure 30(b)(3)(A) provides in part as follows: "The
21 party who notices the deposition must state in the notice the method for recording the
22 testimony. Unless the court order otherwise, testimony may be recorded by audio,
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26 ² As noted above, the Federal Rules permit each party to take ten (10) depositions
27 without seeking leave of Court. Fed.R.Civ.P. 30(a)(2). The Court notes that plaintiff has
28 not filed a motion for a protective order seeking to limit the number of depositions
defendant intends to take in the case. Fed.R.Civ.P. 26(c).

1 audiovisual, or stenographic means. The noticing party bears the recording costs. . . .

2 Fed.R.Civ.P. 30(b)(3)(A).

3 Although the Federal Rules permit the noticing party to select the method for
4 recording, Federal Courts have indicated that deposition costs may not be recoverable if
5 they are “merely incurred for convenience.” *U.S. E.E.O.C. v. W&O, Inc.*, 213 F.3d 600,
6 620 (11th Cir. 2000). *See also Kalitta Air L.L.C. v. Central Texas Airborne System, Inc.*,
7 741 F.3d 955, 959 (9th Cir. 2013); *Humphreys & Partners Architects, L.P. v. Lessard*
8 *Design, Inc.*, 152 F.Supp.3d 503, 526 (E.D. Va. 2015). Without more, this Court
9 questions the need to incur the considerable expense of having a videographer present for
10 all ten of defendant’s anticipated depositions. Since no justification has been provided
11 from which the Court can conclude it is reasonably necessary to videotape all ten
12 depositions, the Court will exclude videography expenses from defendant’s estimate of
13 recoverable costs for the purpose of determining the appropriate amount for the posting
14 of a bond or surety. With the exclusion of the videography expenses, defendant’s
15 anticipated deposition costs are significantly reduced from \$11,800.00 to **\$2,450.00** for a
16 court reporter only.³

17 As to some witnesses, defendant reasonably anticipates that it will be necessary to
18 retain an interpreter who charges \$795 for six hours plus \$150 for each additional hour.
19 [Doc. No. 30-2, at p. 3.] In this regard, Mr. Jedreski’s Declarations states that defendant
20 believes it will need to retain an interpreter for “ten seven-hour depositions of Russian
21 witnesses.” [Doc. No. 30-2, at p. 3.] To reach the total of ten anticipated depositions
22 where it will need to retain an interpreter, Mr. Jedreski refers to **two** non-party witnesses,
23 Mr. Lomonosov and Mr. Egorov, plus “**seven**” of plaintiff’s officers, directors, and
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25
26 ³ The exclusion of the costs for a videographer at this time is solely for the purpose
27 of calculating an appropriate and fair amount for a bond or surety under Section 1030 and
28 is not intended to preclude defendant from seeking reimbursement of any such costs if it
should prevail at trial.

1 managing agents, because they all speak Russian. [Doc. No. 30-2, at p. 2-3 (emphasis
2 added).] Although defendant's estimate of \$9,450.00 includes the cost of a Russian
3 interpreter for a total of ten depositions, defendant has only identified nine anticipated
4 deponents who speak Russian (*i.e.*, seven of plaintiff's officers, directors, and managing
5 agents, and two of plaintiff's former employees). [Doc. No. 30-2, at p. 2.] Accordingly,
6 the Court finds that defendant's estimated costs for a Russian interpreter during
7 depositions must be reduced from \$9,450.00 to **\$8,505.00**.

8 **2. Costs Related to Non-Party Witnesses and Service of Process.**

9 Since both Mr. Lomonosov and Mr. Egorov reside in Russia and speak Russian as
10 their first language, defendant's estimate includes anticipated costs of \$4,030.00 to cover
11 the cost of serving these witnesses with translated subpoenas and another \$80 in witness
12 fees. Defendant also expects to incur \$40 in witness fees to depose plaintiff's damages
13 expert. [Doc. No. 30-2, at p. 2.] Plaintiff has not specifically challenged the
14 reasonableness of these costs. Therefore, defendant reasonably anticipates total costs in
15 this category to be **\$4,110.00**.

16 **3. Cost of Certified Transcripts.**

17 As noted above, defendant intends to take a total of ten depositions in the case, and
18 based on a prior written representation by plaintiff, defendant also believed that plaintiff
19 intended to take a total of ten depositions in the case. Based on this information,
20 defendant anticipated it would need to spend a total of \$21,900.00 to order certified
21 copies of transcripts for a total of twenty (20) depositions at an estimated cost of
22 \$1,095.00 for each transcript. However, plaintiff indicated in its Opposition to
23 defendant's Motion that it will only need to depose two witnesses. [Doc. No. 30-2, at
24 p. 3; Doc. No. 33, at p. 10.] Since defendant provided adequate justification for taking
25 ten depositions and plaintiff represented that it will only need to take two depositions, the
26 Court will calculate the appropriate amount for the requested bond or surety based on a
27 total of twelve depositions, ten by defendant and two by plaintiff. However, the Court
28 will require plaintiff to seek leave of Court if it decides to take more than two depositions

1 in the case. Based on this new information, defendant can reasonably anticipate ordering
2 certified transcripts for twelve (12) deponents at a cost of \$1,095.00 each. Accordingly,
3 the Court finds that defendant's estimated costs for certified deposition transcripts must
4 be reduced from \$21,900.00 to **\$13,140.00**.

5 In sum, defendant reasonably expects to incur recoverable pre-trial costs of:
6 (1) **\$2,450.00** to retain a court reporter for a total of ten depositions; (2) **\$8,505.00** to
7 retain a Russian interpreter for nine depositions; (3) **\$4,110.00** to serve Mr. Lomonosov
8 and Mr. Egorov with translated subpoenas in Russia; and (4) **\$13,140.00** to order certified
9 deposition transcripts for twelve (12) deponents. Therefore, defendant's total anticipated
10 recoverable pre-trial costs are **\$28,205.00**.

11 ***B. Defendant's Anticipated Trial Costs.***

12 Since the parties' commercial dealings took place over a period of about three and
13 one-half years, defendant estimates that the trial in this case will last seven days and that
14 it will incur costs of about **\$3,832.50** for obtaining certified trial transcripts from the court
15 reporter, assuming that plaintiff will split the total cost. [Doc. No. 30-2, at p. 3.] Plaintiff
16 has not specifically challenged the reasonableness of these costs.

17 With respect to the attendance of two key, non-party witnesses at trial,
18 Mr. Lomonosov and Mr. Egorov, defendant expects to incur witness fees, per diem costs,
19 and travel expenses in the amount of **\$2,692.00**, plus an additional **\$1,590.00** to pay the
20 costs of a Russian interpreter during their trial testimony. [Doc. No. 30-2, at p. 4.]
21 Plaintiff has not specifically challenged the reasonableness of these costs.

22 Since plaintiff has produced "thousands of documents in Russian," defendant
23 estimates that it will incur costs to translate approximately 100 documents to be used as
24 exhibits at trial. Defendant estimates the cost of these translations will be approximately
25 **\$22,103.00**. Plaintiff has not specifically challenged the reasonableness of these costs.

26 In sum, defendant reasonably expects to incur recoverable trial costs of
27 **\$30,217.50**, and based on the information set forth in the previous section, defendant
28 reasonably expects to incur recoverable pre-trial costs of **\$28,205.00**. Thus, the total

1 amount of pre-trial and trial costs that defendant reasonably expects to incur is
2 **\$58,422.50**. Therefore, the Court finds that it is reasonable to require plaintiff to post a
3 Section 1030 bond in the amount of **\$58,422.50**.

4 **Conclusion**

5 Based on the foregoing, the Court finds that plaintiff's Motion for Posting of a
6 Bond must be **GRANTED** pursuant to California Code of Civil Procedure Section 1030
7 and Civil Local Rule 65.1.2(a). Under the circumstances of the case and based on the
8 evidence submitted, plaintiff is **ORDERED** to post a bond in the amount **\$58,422.50**
9 **within thirty (30) days of the entry of this Order.** Plaintiff shall refer to the Local Rules
10 of the Southern District of California to ensure proper compliance with this Order.

11 **IT IS SO ORDERED.**

12 Dated: October 3, 2016



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14 Hon. Karen S. Crawford
15 United States Magistrate Judge
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