No. 14-77

IN THE

Supreme Court of the United States

KOLON INDUSTRIES, INC.,

Petitioner,

v.

E. I. DU PONT DE NEMOURS AND COMPANY,

Respondent.

On Petition for a Writ of Certiorari to The United States Court of Appeals For the Fourth Circuit

BRIEF IN OPPOSITION

ADAM CHARNES
KILPATRICK TOWNSEND & STOCKTON LLP
1001 W. Fourth Street
Winston-Salem, NC 27101
(336) 607-7300

DAVID CROSS
Counsel of Record
KENT GARDINER
CLIFTON S. ELGARTEN
CROWELL & MORING LLP
1001 Pennsylvania Ave., N.W.
Washington, DC 20004-2595
(202) 624-2500
dcross@crowell.com
Counsel for Respondent

QUESTION PRESENTED

Must a party seeking judicial disqualification under 28 U.S.C. § 455 timely raise the issue after learning of the ostensible basis for doing so?

CORPORATE DISCLOSURE STATEMENT

Respondent E. I. du Pont de Nemours and Company is a publicly traded corporation. No other corporate entity owns more than 10% of its shares.

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Respondent E. I. du Pont de Nemours and Company (DuPont) respectfully submits this Brief in Opposition to the Petition for Certiorari.

INTRODUCTION

The Fourth Circuit reaffirmed that timeliness is required under 28 U.S.C. § 455. If the trial judge perceives a basis for recusal under §455, the trial judge must, of course, recuse *sua sponte*. However, if the trial judge does not recognize grounds for recusal, a party seeking to preserve an objection under §455 must timely raise the issue of disqualification after learning of the basis for doing so. Other circuits "overwhelmingly" agree that timeliness is required. Pet.App. 17a.

Petitioner's claim of a "deep" and "longstanding" split in the circuits over this issue is wrong. Pet. 2. Eleven circuits have held that timeliness is required. Although a single Circuit, the Seventh, rejected a timeliness requirement in one case years ago, later Seventh Circuit panels acknowledged that the earlier ruling "stands alone" and that it was inconsistent with other Seventh Circuit precedent. That Circuit has affirmatively stated its willingness to rethink the issue should the occasion ever arise. Most recently the outlier decision was described as "weak precedent" and not followed in a Seventh Circuit chambers opinion holding a disqualification motion untimely. In short, rather than the "entrenched" split that Petitioner claims, Pet. 2, there is near or complete unanimity, with any vestige of a split all but gone.

As the Fourth Circuit explained, requiring that a party timely raise its objection after becoming aware of the basis for doing so fulfills a central

purpose of §455, which is to ensure that issues potentially affecting the integrity of proceedings be resolved as early as possible.

The importance of a timeliness requirement is especially evident here, where Petitioner knew the facts giving rise to its recusal motion years before making the motion and where it filed the motion only after losing at trial (in a related case involving Petitioner's theft of Respondent's trade secrets) and on the eve of the deadline for dispositive motions in this case. Petitioner belatedly claimed that a wholly separate patent case, 25 years earlier, was sufficiently linked to this antitrust case that the trial judge was required to recuse himself. Petitioner knew early on, in 2009, that the trial judge had been a former partner at the law firm that had represented DuPont in the prior patent case. Yet Petitioner waited until November 2011, more than two years later, to move for recusal.

Moreover, well before filing its recusal motion, Petitioner had assured the trial judge that his tangential relationship with that 25 year old case "was not something that … would trigger … any bias or anything like that." Pet.App. 70a-71a, 86a-87a. Only after losing at trial in the trade secrets case and facing imminent dismissal in the antitrust case did Petitioner come up with its recusal theory. On this record, the Fourth Circuit had no difficulty concluding that Petitioner had engaged in precisely the form of "tactical sandbagging" that a timeliness requirement is needed to avoid. Pet.App. 19a, 20a-21a n.9.

Eager to portray this case as a "perfect vehicle" to resolve what turns out to be a non-existent circuit conflict, Petitioner does not accurately present the

unusual context in which the disqualification issue arose. Among other things, Petitioner ignores the fact that the Fourth Circuit already has held that the antitrust claims here at issue fail substantively as a matter of law. That ruling should stand irrespective of any issue associated with the recusal motion. Petitioner also ignores the fact that much of the Fourth Circuit's discussion of the recusal issue focused on the trade secrets case, which was a separate appeal and not part of this Petition and the judgment and verdict in that case already have been reversed on other grounds.

Petitioner also labors to avoid the very tenuous substantive basis for its disqualification claim. But the weakness in Petitioner's substantive argument for recusal cannot so easily be ignored, because it helps to explain why the trial judge here could not have conceived a basis for recusal *sua sponte* or credited a basis under the circumstances present here – including where the party belatedly seeking recusal did so only after initially assuring the trial judge that there was no cause for concern. Indeed, Petitioner's tactical sandbagging here demonstrates why a party that claims to perceive some ground for disqualification must promptly move for disqualification.

STATUTORY PROVISIONS

The Petition relies on 28 U.S.C. § 455(b)(2), reprinted in full at Pet.App. 91a-94a. For ready reference, it provides in relevant part that:

> Any justice, judge, or magistrate judge of the United States …
>
> (b) … shall also disqualify himself in the following circumstances:

> (2) Where in private practice he served as lawyer in the matter in controversy, or a lawyer with whom he previously practiced law served during such association as a lawyer concerning the matter, or the judge or such lawyer has been a material witness concerning it ….

COUNTERSTATEMENT

A. The Nature of This Case

In 2009, Respondent E. I. du Pont de Nemours and Company ("DuPont") sued Petitioner Kolon Industries, Inc. ("Kolon") in the United States District Court for the Eastern District of Virginia. DuPont alleged that Kolon had stolen an extensive portfolio of DuPont's trade secrets for its famous para-aramid product, Kevlar®. DuPont's civil case was assigned to United States District Judge Robert Payne (Judge Payne, or "trial judge").

The origins of the civil case lay in DuPont's discovery that one of its former employees had been systematically providing DuPont trade secrets to Kolon, a South Korean textile firm. Opp.App. 4a-5a.[1] That discovery led to the former employee's criminal conviction and prison sentence. It also led to further investigations by the Government and DuPont into Kolon's misappropriation and use of DuPont's trade secrets, including Kolon's practice of hiring former DuPont employees as consultants and mining those contacts for DuPont trade secrets. On

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[1] The Fourth Circuit decision focusing on the trade secret case, issued concurrently with its decision in this case, provides useful background in considering this Petition. It is unpublished. It is therefore included as an appendix to this Opposition, cited as Opposition Appendix ("Opp.App.").

August 21, 2012, a federal grand jury in the Eastern District of Virginia indicted Kolon and five of its executives for trade secret theft, conspiracy, and obstruction of justice. *See* Opp.App. 5a.

Kolon responded to DuPont's trade secret misappropriation claims by asserting meritless antitrust counterclaims, alleging monopolization and attempted monopolization of the supply of para-aramid products to U.S. commercial customers between January 2006 and April 2009.

DuPont moved to dismiss the antitrust counterclaims and the District Court granted the motion. Kolon appealed. The Fourth Circuit reversed, finding that Kolon's pleading was adequate to state claims of monopolization and attempted monopolization at the motion to dismiss stage because of the requirement to accept the allegations as true.[2] No issue of disqualification was presented. The trade secrets case proceeded full force while the appeal was pending.

On remand, the antitrust counterclaims proceeded through discovery, and the trade secrets case went to trial in the summer of 2011. The trial resulted in a monumental verdict against Kolon on September 14, 2011. The following week, on September 21, the antitrust case – this case – was formally severed from the trade secrets case for all purposes and assigned a separate case docket number.

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[2] *See E. I. du Pont de Nemours and Co. v. Kolon Indus., Inc.,* 637 F.3d 435 (4th Cir. 2011).

B. Kolon's Motion to Disqualify

Kolon filed its motion to disqualify the trial judge in the antitrust case on November 30, 2011 – more than two years after becoming aware of the facts underlying its disqualification theory, more than two months after the jury verdict against it in the trade secret case, and immediately before the deadline for dispositive motions in the antitrust case. Pet.App. 10a. Kolon cited 28 U.S.C. § 455(b)(2). Twenty-five years earlier, Judge Payne's former law partners in McGuire Woods & Battle (now McGuireWoods) had defended DuPont in a patent infringement case involving para-aramid patents, brought by Akzo N.V. *See id.* at 7a. *See also Akzo N.V. v. E.I. DuPont de Nemours*, 635 F. Supp. 1336 (E.D. Va. 1986), *aff'd* 810 F.2d 1148 (Fed. Cir. 1987). With its disqualification motion, Kolon argued that the *Akzo* litigation should be treated as the "matter in controversy" in this case, giving rise to a duty to recuse under 28 U.S.C. § 455(b)(2).

Certain facts surrounding Kolon's motion bear highlighting.

1. Kolon knew from the very outset of the case that Judge Payne had been a partner in the McGuireWoods firm. *See* Pet.App. 69a ("[A]fter DuPont filed its Complaint, the Clerk's Office issued a notice (that is part of the electronic case file) which put counsel on notice of that fact ….") . That fact obviously garnered Kolon's attention because McGuireWoods was also counsel to DuPont in this case. Moreover, there is no dispute that Kolon had long known that McGuireWoods represented DuPont in *Akzo*. *See* Pet.App. 20a.

2. The *Akzo* case in which McGuireWoods represented DuPont was one of a series of cases between Akzo and DuPont involving para-aramid patents. Multiple law firms represented DuPont in the Akzo proceedings, including Fizpatrick Cella, a patent firm which appeared on DuPont's behalf in many of the cases against Akzo, and McGuireWoods, which was involved only with the case that Akzo filed against DuPont in Richmond. The series of cases commenced in the early 1980's, and the *Akzo* case was concluded in 1986. Pet. 4; Pet App. 55a-56a.

3. The parties in this antitrust case had skirmished over discovery regarding *Akzo* since 2009. Kolon's theories for seeking discovery with respect to *Akzo*, and the basis for its much-later assertion that *Akzo* was the "matter in controversy" in this case, varied between the antitrust and trade secrets cases. In each instance, *Akzo* was collateral to the issues being tried and determined here.

Regarding the antitrust case, Kolon's theory was that the 25-year old *Akzo* litigation evidenced DuPont's intent to monopolize the market in the period 2006-2009. The alleged anticompetitive intent in *Akzo* would somehow bridge a 25-year gap between that case and this one, supplying evidence of anticompetitive intent here. Specifically, Kolon's theory was that DuPont used "sham" litigation in its decades-prior patent battles with Akzo as a means to monopolize the para-aramid market. However, even setting aside the difficulty overcoming the 25-year gap, Kolon's theory foundered: no claim of sham litigation could be made as to the *Akzo* case underlying its recusal motion because (a) DuPont was the defendant, not the plaintiff, in that case and

(b) DuPont prevailed.[3] *See Akzo N.V.*, 635 F. Supp. at 1356. As described below, despite Kolon's efforts to inject *Akzo* into the case, neither the trial court nor the Fourth Circuit panel (including the dissenting judge), has ever suggested that *Akzo* could be regarded as the same "matter in controversy" as the antitrust case.

Regarding the trade secrets case, Kolon's theory was that DuPont agreed to lift the applicable protective order during the *Akzo* case, resulting in public disclosure of some number of DuPont trade secrets, including some at issue in the later trade secrets case. Opp.App. 6a. No direct evidence was ever found that any particular trade secrets at issue were actually disclosed during the *Akzo* case, and consequently, the trial judge had excluded references to the *Akzo* litigation in the trade secrets trial. Opp.App. 8a. The Fourth Circuit found that the trial court had applied the wrong standard in analyzing the relevance of the possible *Akzo* disclosures and vacated the verdict and judgment accordingly, notwithstanding the lack of any finding by the Fourth Circuit that any of the excluded evidence actually was relevant or otherwise admissible. Opp.App. 12a-13a.

4. Judge Shedd, dissenting, suggested that Judge Payne should have recused himself as of July 2011 when his "role" in *Akzo* became clear. Pet.App. 48a. Kolon also cites the trial judge's "role" in *Akzo*,

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[3] *See Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 61 n.5 (1993) ("A winning lawsuit is by definition a reasonable effort at petitioning for redress and therefore not a sham.").

and falsely asserts that "the judge himself was involved in the case." Pet. 2. Therefore, the trial judge's "role" – and the sequence of events preceding Kolon's disqualification motion – requires some clarification.

As noted above, with knowledge of McGuireWoods' involvement in *Akzo*, and Judge Payne's former connection to McGuireWoods, Kolon had been pursuing discovery concerning the *Akzo* litigation since 2009. In August 2010, DuPont provided documents from the Fitzpatrick Cella files to Kolon. Those documents included a correspondence index, which suggested that, 20 years earlier, Judge Payne, then Mr. Payne, had been asked by Mr. Fitzpatrick to "telecopy" the patent infringement complaint filed against DuPont in Richmond. Pet.App. 58a-59a.

On July 20, 2011, nearly a year after receiving the correspondence index, on the eve of jury selection in the trade secrets case, Kolon alluded obliquely to the trial judge's "role" in "the *Akzo* litigation" and asserted that "the extent of that role remains unknown." *Id.* at 57a.

On July 22, 2011, Judge Payne asked Kolon's counsel what it meant by his "role" in *Akzo*. Kolon's counsel said that the comment was based on the entry in the index. *Id.* at 70a-71a. Kolon's counsel went on to state that it had received the document "months ago" but had not raised the issue because "getting that document was not something that, in my mind, would trigger, you know, any bias or anything like that." *Id.* at 71a, 86a-87a.

Kolon's allusion to Judge Payne having a "role" in *Akzo* was news to Judge Payne, who had – and,

as he has affirmed, to this day has – no recollection of any role in the *Akzo* litigation. *Id.* at 59a, 71a, 82a-83a, 86a. He nonetheless *sua sponte* insisted on an intense and exhaustive search of all documents relating to the *Akzo* litigations to determine if he, in fact, had some role in the case. Pet.App. 59a, 71a, 86a.

DuPont's counsel then reviewed hundreds of boxes of documents related to the case. It turned up the written request to "telecopy" the complaint, as well as a cover sheet showing that it was actually transmitted that day, presumably at Mr. Payne's request. There was nothing more. Beyond the ministerial task of transmittal, there is no indication that Judge Payne handled or saw, let alone read, that complaint or had any involvement in the case whatsoever. Pet.App. 9a-10a, 59a. The Fourth Circuit characterized Judge Payne's contact with the case as "negligible." Pet.App. 20a.

The more important point for present purposes is that after extensive review confirmed that Judge Payne had no involvement in *Akzo*, Kolon sat silent.[4] It did not suggest *any* grounds for disqualification, whether under 28 U.S.C. § 455(a)

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[4] As Kolon's counsel explained when it raised the issue of Judge Payne's "role," Kolon's concern had been that this transmittal "did not constitute the only involvement of the presiding judge in the *Akzo* Case." Pet.App. 74a. Thus, when detailed review of the files failed to turn up even a shred of additional evidence linking Judge Payne to *Akzo*, "Kolon appeared satisfied, and the proceedings continued." *Id.* Indeed, Kolon was satisfied, until it lost a substantial verdict in the trade secrets case and faced an imminent loss in the antitrust case; only then did the same facts somehow suddenly warrant recusal.

(appearance of impropriety), §455(b)(1) (personal knowledge of facts), or §455(b)(2), on which Kolon now relies. To the contrary, neither Judge Payne's "role" nor McGuireWoods' involvement in *Akzo* appeared to be of any concern to Kolon as discovery continued in the antitrust case and the parties proceeded to trial in the trade secrets case. Pet.App. 86a-87a.

The verdict against Kolon was rendered on September 14, 2011. More than two months later, on November 30, 2011, after the two cases had been formally severed and assigned separate docket numbers, Kolon filed a disqualification motion in the then-severed antitrust case. In that motion, Kolon asserted that McGuireWoods' involvement in *Akzo* required Judge Payne to disqualify himself in the antitrust case.

As the Fourth Circuit later explained, Kolon's references to Judge Payne's "role" in *Akzo* were immaterial under §455(b)(2). If *Akzo* were truly the "matter in controversy" in the antitrust case, §455(b)(2) would apply by virtue of McGuireWoods' involvement in that case – long known to Kolon – regardless whether Judge Payne had been involved in the matter. *See* Pet.App. 21a ("[I]f, as Kolon believed, the *Akzo* litigation was actually a matter in controversy, the mere involvement of the judge's former law partners—of which Kolon was clearly aware—would have required his recusal.").

C. The Decisions Below

Judge Payne denied Kolon's motion to disqualify. He first determined that the motion was untimely because Kolon was aware of Judge Payne's prior tenure at McGuireWoods and McGuireWoods'

involvement in *Akzo* for at least two years before Kolon filed its motion to disqualify. *Id.* at 69a-73a.

Judge Payne then considered and rejected the disqualification claim on the merits, concluding that any connection between *Akzo* and this case was too attenuated to require disqualification under 28 U.S.C. § 455(b)(2). Pet.App. 75a-82a. Judge Payne also rejected Kolon's argument that *Akzo*, or his "role" in *Akzo*, created an appearance of impropriety under 28 U.S.C. § 455(a). Pet.App. 70a-71a, 82a-87a.

On April 5, 2012, he granted DuPont's motion for summary judgment on the antitrust claims.

Kolon filed separate appeals from (a) the grant of summary judgment against it in the antitrust case and (b) the verdict and judgment against it in the trade secret case.[5] Kolon proceeded solely under the "matter in controversy" provisions of §455(b)(2) and did not appeal Judge Payne's determination that there was no appearance of impropriety.

The Fourth Circuit addressed the disqualification issue, applicable both to the trade secrets case and this case, in its opinion in this case. Pet.App. 7a. (explaining that it was addressing together "Kolon's argument that the district court judge was required to recuse himself in both the instant antitrust case and the trade secrets case, which is also now before us on appeal"). Much of the Fourth Circuit's decision (and Judge Shedd's dissent), however, focuses on the trade secrets case.

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[5] Though the two cases and resulting appeals were briefed separately, they were consolidated for argument. Kolon raised the issue of §455(b)(2) disqualification in both briefs.

Reaffirming prior circuit precedent, the Fourth Circuit held that a motion under §455(b) must be timely filed. The "requirement of timeliness 'prohibits knowing concealment of an ethical issue for strategic purposes" and "is vital . . . to prevent waste and delay." *Id.* at 15a (citations omitted). The Fourth Circuit observed that an overwhelming majority of circuits have held that timeliness is an essential element of a §455 claim, implicit in the statute. *Id.* at 17a. If a judge is aware of grounds for recusal under §455, the trial judge "has a duty to recuse himself or herself." *Id.* at 19a. But if the judge does not recognize a problem, a party perceiving a basis for recusal must bring it promptly to the court's attention. Failure to insist that disqualification issues be timely raised would undermine the goal of promoting public confidence in the judicial process – the very purpose of §455. *Id.* at 43a. And it would be an invitation for sandbagging and gamesmanship, allowing a party to hold back on its challenge until it suffered adverse rulings, as Kolon did here. *Id.* at 84a.

The Fourth Circuit panel majority held that Kolon's motion to disqualify was untimely. Kolon had pursued discovery of *Akzo* patent case files as early as August 2009. The disqualification motion more than two years later, in November 2011, after trial and an adverse verdict in the trade secrets case reflected precisely the type of sandbagging that the timeliness principle is designed to thwart.

The Fourth Circuit specifically rejected the suggestion that Kolon had actually raised the issue earlier, in July 2011 when it obliquely referred to Judge Payne's "role" in *Akzo*. Pet.App. 20a. *See also* Pet. 11-12. Judge Payne had followed up on

that reference by directing DuPont to engage in an intensive review of records to determine the extent of any such role. After that review showed Judge Payne's personal role to be "negligible," Pet.App. 20a, Kolon sat silent. Indeed, its counsel had expressly disavowed any concern. *See* Pet.App. 70a-71a. Moreover, Judge Payne's personal role in *Akzo* was beside the point because any bona fide issue under §455(b)(2) would arise from McGuireWoods' participation in *Akzo*, not Judge Payne's personal participation. Pet.App. 21a.[6]

Turning to the merits of the antitrust case, the Fourth Circuit affirmed the grant of summary judgment for DuPont, finding that DuPont was entitled to judgment as a matter of law. The Fourth Circuit held that, under well-settled law, DuPont did not possess monopoly power in the U.S. para-aramid market during the relevant period. *Id.* at 27a-28a. The Fourth Circuit also held that DuPont's limited use of supposedly "exclusive" supply agreements "had not foreclosed a substantial portion of the market" or any key market segment. *Id.* at 30a-33a. It rejected Kolon's attempted monopolization claim for similar reasons. *Id.* at 33a.

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[6] As the Fourth Circuit explained, Kolon could not "justify its dilatoriness by suggesting that it needed to ascertain the extent of the district judge's actual participation in the *Akzo* litigation." Opp.App. 13a. The actual basis for Kolon's motion was the fact that the district judge had been a partner in the law firm that had represented DuPont in the earlier litigation, and that "fact [was] known to Kolon from the first days after DuPont's complaint was filed." *Id.*

Judge Shedd dissented on the recusal issue, arguing that timeliness is not required, that Kolon had been timely, and Judge Payne should have recused himself *sua sponte*. Though the trade secrets case and antitrust case were severed when Kolon moved for recusal, they had not yet been severed in July 2011, when Judge Shedd believed the relationship between *Akzo* and the trade secrets case should have been apparent. Thus, Judge Shedd found it unnecessary to consider whether there was a connection between *Akzo* and the antitrust case that might require disqualification. Pet.App. 51a. Judge Shedd mentioned no disagreement with the panel majority's rulings on the merits of the antitrust case.

REASONS TO DENY THE WRIT

Kolon's claim of a "deep," "entrenched," and "longstanding" circuit split is wrong. All that stands on Kolon's side of the claimed split is one statement in one Seventh Circuit decision from nearly 40 years ago that since has been characterized by the Seventh Circuit as "weak precedent" that "stands alone" in rejecting a timely filing requirement.

All eleven other circuits subscribe to the principle that a party learning of grounds for disqualification under §455 must timely raise the issue if the court does not do so on its own initiative.

In addition, this is an unsuitable case in which to consider the timeliness issue. The Fourth Circuit already has determined that Kolon's antitrust claims fail as a matter of law for multiple reasons, none of which has anything to do with the disqualification issue. Moreover, the Fourth Circuit's decision focuses on the disqualification

motion in the trade secrets case, which was already reversed on the merits. And last, this is an especially poor case in which to judge the application of a timeliness requirement because the underlying substantive argument for disqualification was – and is – so implausible.

I. ELEVEN CIRCUITS HAVE FOUND THAT MOTIONS UNDER §455 MUST BE TIMELY RAISED; ANY CONFLICT IS EPHEMERAL.

A. Eleven Circuits Recognize A Timeliness Requirement; The Twelfth Has Already Stated Its Willingness To Reconsider Its Prior Contrary View.

Kolon's argument for certiorari rests on its claim of a "longstanding" and "entrenched," 8-to-3 circuit split on the issue whether timeliness is required for a §455 motion. Kolon thus begins by acknowledging that eight circuits – the Second, Third, Fourth, Fifth, Eighth, Ninth, Tenth, Eleventh, and D.C. Circuits – require a party to timely raise a §455 issue after learning the facts and circumstances giving rise to such a claim.[7] *See United States v. Brice*, 748 F.3d 1288, 1289 (D.C. Cir. 2014) (citing *United States v. Barrett*, 111 F.3d 947, 951 (D.C. Cir. 1997)); *Am. Prairie Constr. Co. v. Hoich*, 560 F.3d 780, 789-91 (8th Cir. 2009); *Omega Eng'g, Inc. v. Omega, S.A.*, 432 F.3d 437, 447-48 (2d Cir. 2005); *Stone Hedge Props. v. Phoenix Capital Corp.*, 71 Fed. App'x 138, 140-41 (3d Cir. 2003) (unpublished); *United States v. Rogers*, 119 F.3d

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[7] *See* Pet. 17-18.

1377, 1380-83 (9th Cir. 1997); *Summers v. Singletary*, 119 F.3d 917, 920-21 (11th Cir. 1997); *United States v. York*, 888 F.2d 1050, 1053-55 (5th Cir. 1989); *Willner v. Univ. of Kan.*, 848 F.2d 1020, 1022-23 (10th Cir. 1988)).

The rest of Kolon's tally is faulty. It fails to take into account the First Circuit's position that timeliness is required. It then incorrectly identifies three circuits as standing against a timeliness requirement.

First, Kolon fails to address the First Circuit, which holds that "in general, a party must raise the recusal issue at the earliest moment after acquiring knowledge of the relevant facts."[8] *See In re United States*, 441 F.3d 44, 65 (1st Cir. 2006) (citations and internal quotation marks omitted).[9] As that circuit

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[8] Kolon apparently feels entitled to omit the First Circuit because it specifically addressed timeliness in the context of §455(a), not §455(b). Kolon argued below that a timeliness requirement is more easily implied under §455(a) than §455(b) because disqualification under (a) can be waived "after full disclosure on the record." *See* 28 U.S.C. § 455(e). The Fourth Circuit rejected any distinction between the two subsections of §455, Pet.App. 14a, as has every other court to face that argument. *See, e.g.*, *Summers v. Singletary*, 119 F.3d 917, 920-21 (11th Cir. 1997) (rejecting distinction between §445(a) and §455(b) as to timeliness); *United States v. York*, 888 F.2d 1050, 1055 (5th Cir. 1989) (explaining why both §455(a) and §455(b) require timeliness, though only §455(a) can be waived). Waiver and timeliness are "distinct issues." *Id.* A timeliness requirement mandates that issues related to disqualification be promptly raised. Waiver is an issue under §455(e) after the basis for disqualification has been identified.

[9] *See also El Fenix de Puerto Rico v. M/Y JOHANNY*, 36 F.3d 136, 141 n.6 (1st Cir. 1994) (noting, in addition to finding the (continued…)

explained, "a calculated withholding of a recusal motion" could render the motion untimely, and "courts will reject what appear to be strategic motions to recuse a judge whose rulings have gone against the party." *Id.*

Kolon then identifies the Sixth, Seventh and Federal Circuits as rejecting a timeliness requirement.[10] Kolon is wrong as to the Sixth and Federal Circuits and does not fairly characterize the state of the law in the Seventh Circuit.

For the Sixth Circuit, Kolon cites an early case that had nothing to do with timeliness. Indeed, there was no dispute over whether the plaintiff had filed a timely motion for recusal. Rather, the issue in the cited case focused on whether an affidavit signed by the plaintiff's counsel, rather than plaintiff, precluded recusal. The Sixth Circuit held that such an affidavit did not prevent the judge from *sua sponte* recusing himself under § 455(a). *See Roberts v. Bailar*, 625 F.2d 125, 128 (6th Cir. 1980).

But Kolon ignores subsequent Sixth Circuit precedent, holding that timeliness is required. After *Roberts*, the Sixth Circuit held: "Both [28 U.S.C.] § 144 and §455 require that disqualification motions be timely; that requirement is explicit in the former section and implicit in the latter." *In re City of*

(continued)
recusal motion substantively groundless, that "the recusal motion may have been rendered infirm by the delay in filing").

[10] Pet. 18-21 (citing *Polaroid Corp. v. Eastman Kodak Co.*, 867 F.2d 1415, 1418 (Fed. Cir. 1989); *Roberts v. Bailar*, 625 F.2d 125 (6th Cir. 1980); *SCA Servs., Inc. v. Morgan*, 557 F.2d 110 (7th Cir. 1977)).

Detroit, 828 F.2d 1160, 1167-68 (6th Cir. 1987). The Sixth Circuit then applied that rule in determining that several alleged bases for recusal had to be rejected because they "are not timely. These claims could have been raised two or three years earlier…." *Id.*

In a later case, the Sixth Circuit likewise affirmed the denial of a recusal motion as "not timely under either §144 or §455." *Callihan v. E. Ky. Prod. Credit Ass'n*, 895 F.2d 1412 (6th Cir. 1990) (unpublished). The Sixth Circuit's more recent precedents thus establish that it too finds a timeliness requirement in §455.

Citing *Polaroid Corporation v. Eastman Kodak Company*, 867 F.2d 1415, 1418 (Fed. Cir. 1989), Kolon argues that the Federal Circuit rejects a timeliness requirement. But *Polaroid* does not support Kolon's claim of circuit split either. First, because recusal "is unrelated to patent law," the Federal Circuit relied on "the guidance of the regional circuit in which the district court sits, here the First Circuit." *Id.* at 1419 n.11. In doing so, the Federal Circuit noted correctly that the First Circuit "impos[es] a 'timeliness requirement' in the [§]455(b) context," *id.* at 1419 – a position that the First Circuit has subsequently reaffirmed. *In re United States*, 441 F.3d 44, 65 (1st Cir. 2006).[11]

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[11] Citing *Shell Oil Company v. United States*, 672 F.3d 1283, 1293 (Fed. Cir. 2012), Petitioner asserts that the Federal Circuit later adopted *Polaroid*'s analysis as its own precedent. Pet. 20 n.7. This is not correct. In *Shell Oil*, the Federal Circuit adopted the holding from *Polaroid* that failure to disqualify under §455(b) can be harmless error. The case (continued…)

The language Kolon relies on in *Polaroid* by its own terms is not fairly described as rejecting a timeliness requirement—quite the contrary. The Federal Circuit's point was simply a matter of definition. It observed that a §455(b) motion "cannot properly be described as either 'timely' or 'untimely'" because timeliness "requires a fixed point or bench mark from which the timeliness or untimeliness of an action can be measured" – a definition of "timeliness" that could not be applied under §455 because §455 neither sets the fixed point or defines a precise number of days. 867 F.2d at 1418-19. Instead, the Federal Circuit held that "the concept of 'timeliness' merges into and is subsumed in the concepts of 'equity,' 'fairness,' and 'justice,'" concluding that "courts have used 'untimely' as a synonym for 'unfair.'" *Id.* Indeed, *Polaroid* went on to hold that the party in that case was precluded from belatedly raising a disqualification issue based on facts that the trial judge had called to the parties' attention years earlier. *Id.* at 1421.

Though the terminology is slightly different, the Federal Circuit's rationale in *Polaroid* is consistent with principles other courts have cited in finding timeliness required under §455(b).[12] The

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(continued)
presented no question of timeliness – the court noted that the recusal issue had been raised timely. But even if, as Kolon argues, the Federal Circuit is to be counted as having stated its own view on the issue, it has simply reaffirmed the importance of timely raising disqualification issues.

[12] *See, e.g.*, *Apple v. Jewish Hosp. & Med. Ctr.*, 829 F.2d 326, 334 (2d Cir. 1987) (describing factors for court to consider, including whether "granting the motion would represent a (continued…)

Fourth Circuit accurately described *Polaroid* as adopting what "amounts to a de facto filing obligation under principles of equity." Pet.App. 17a-18a.

This leaves only the Seventh Circuit. Shortly after the current version of §455 was enacted, nearly 40 years ago, one of the first cases to examine it was *SCA Services, Inc. v. Morgan*, 557 F.2d 110, 117 (7th Cir. 1977). *SCA* suggested that there was no timeliness requirement for a motion under §455.

No other circuits have adopted *SCA*'s position on timeliness. In fact, eight years later, another Seventh Circuit panel observed that *SCA* "stands alone." *United States v. Murphy*, 768 F.2d 1518, 1539 (7th Cir. 1985). And shortly thereafter, yet another Seventh Circuit panel explained that it was ready to rethink *SCA*'s outlier position because *SCA*'s ruling had been "question[ed]" and "undermine[d]" by subsequent Seventh Circuit precedent confirming the importance of a timeliness requirement. *Union Carbide Corp. v. U.S. Cutting Serv., Inc.*, 782 F.2d 710, 716-17 (7th Cir. 1986) (citing *Murphy*, 768 F.2d 1518 and *United States v. Balistrieri*, 779 F.2d 1191 (7th Cir. 1985)).

Thus, if *SCA* still stands as precedent in the Seventh Circuit, it was properly described there as "weak precedent," undermined by both subsequent decisions and the failure to notice inconsistent *prior* Seventh Circuit case law. *Schurz Comms., Inc. v. FCC*, 982 F.2d 1057, 1060 (7th Cir. 1992) (chambers

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(continued)
waste of judicial resources" and whether "the movant can demonstrate good cause for delay").

opinion).[13] Indeed, in *Schurz*, a Seventh Circuit judge, in chambers, declined to follow *SCA*, holding that the request for him to recuse himself from a pending appeal should be denied as untimely. In light of prior and subsequent decisions of the Seventh Circuit, and the unanimous view of other circuits that timeliness is required, there is every reason to believe that *SCA* will be discarded or overruled (to the extent that it needs to be expressly overruled), when or if the issue ever arises in the Seventh Circuit again.[14]

Rather than the "deep," "entrenched," "longstanding" conflict asserted by Kolon, any

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[13] *SCA* overlooked an earlier Seventh Circuit decision – *United States v. Patrick*, 542 F.2d 381 (7th Cir. 1976) – which *Schurz* described as "establish[ing] the law of this circuit on the question" of timeliness under §455. *Schurz Comms., Inc. v. FCC*, 982 F.2d 1057, 1060 (7th Cir. 1992) (chambers opinion). *Patrick* held that "[t]he law is well settled that one must raise the disqualification of the judge at the earliest moment after knowledge of the facts demonstrating the basis for such disqualification." *Patrick*, 542 F.2d at 390.

[14] While acknowledging that the D.C. Circuit has held that timeliness is required, Kolon says that a "respected jurist, Judge Stephen Williams" has criticized the timeliness requirement applied in that circuit. Pet. 21. This is not quite right. *See United States* v. *Brice*, 748 F.3d 1288, 1293-94 (D.C. Cir. 2014) (Williams, Sr. J., concurring). In *Brice*, Judge Williams acknowledged the unanimous view that timeliness was required. *Id.* His principal concern was that in his circuit, failure to timely raise the issue was treated as waiver, and, therefore, it could not be judicially noticed by the appellate court even as plain error. *Id*. There is no reason here to debate whether a disqualification issue not timely raised below might nonetheless be addressed by the appeals court as plain error. No one has suggested plain error in Judge Payne failing to recuse himself on these facts.

conflict is gossamer thin, if it could truly be said that there remains any conflict at all.

B. The Fourth Circuit Properly Concluded That Timeliness Is Required Under 28 U.S.C. § 455.

The Fourth Circuit here reaffirmed its position that "[t]imeliness is an essential element of a recusal motion" under 28 U.S.C. § 455, furthering the objective of ensuring that issues affecting the integrity of proceedings be promptly addressed and precluding the tactical use of such motions by holding them back until the litigant sees which way the wind is blowing. Pet.App. 12a (quoting *United States v. Owens*, 902 F.2d 1154, 1155 (4th Cir. 1990)). The Fourth Circuit reaffirmed that if the trial judge becomes aware of grounds for recusal under §455, the trial judge "has a duty to recuse himself or herself." Pet.App. 19a. But if the trial judge does not perceive a basis for disqualification, then it is incumbent upon the party who does perceive an issue to timely raise it. That party cannot hold back "until an adverse decision has been handed down. Both efficiency and integrity require that we not reward a party's tactics in these circumstances." *Id.* As even Kolon appears to concede, Pet. 27, 29, the type of "tactical sandbagging" that the Fourth Circuit found evident in Kolon's decision to hold back on its motion for two years, until after the adverse verdict, Pet.App. 20a-21a n.9, ought not be a permissible tactic in connection with a disqualification motion.

As each of the circuits to consider the issue has ultimately concluded, requiring a party to raise any disqualification challenge expeditiously upon learning of the grounds for disqualification requires

no rewriting of the statute. Principles of notice, timeliness, and equity are frequently considered by courts in deciding whether a particular party is entitled to a remedy, and timeliness is necessarily part of the equation. Indeed, the Fourth Circuit noted that even under the prior version of §455, which also contained no explicit timeliness requirement, the courts generally had held that a timely motion was required. Pet.App. 16a-17a n.7 (citing *Delesdernier v. Porterie*, 666 F.2d 116, 121 (5th Cir. 1982)).

Moreover, §455 must be read *in pari materia* with the related disqualifications provisions in §144, as both "use similar language, and are intended to govern the same area of conduct." *United States v. Kelley*, 712 F.2d 884, 889 (1st Cir. 1983). Noting that §144 includes an explicit timeliness requirement, courts have had little difficulty concluding that §455 includes one implicitly. *See, e.g.*, *Apple v. Jewish Hosp. & Med. Ctr.*, 829 F.2d 326, 333 (2d Cir. 1987).

This case in particular demonstrates why one could not fairly place the burden solely on judges themselves to *sua sponte* recognize all recusal issues – and why it is, therefore, incumbent on the parties to promptly raise issues of disqualification once they have knowledge of the facts.

If the obligation to disqualify is clear, one might expect the court to recognize the issue as quickly as the parties and recuse on that basis. Those are the easy cases, and the court is likely to respond on its own initiative. Timing issues tend to arise where, as here, the basis for mandatory disqualification is marginal and obscure at best and thus not apparent to the court.

For example, 28 U.S.C. § 455(b)(2), at issue here, requires recusal if, while in private practice, the judge or members of his firm served as counsel in "the matter in controversy" before the court. If the trial judge was simply supposed to recognize whether the prior representation was literally the same "matter in controversy" now before him, the task might not be too difficult.

But the notion of "the matter in controversy" under §455(b)(2) has apparently taken on a broader meaning than literally the same case.[15] *See* Pet.App. 87a-88a n.25 (describing the case on which the dissenting judge relied). Still, even under the broadest reading of the statute, it would be difficult to imagine that the *Akzo* case, arising from Akzo's claim (which DuPont defeated) that DuPont had infringed its patents, dating from 25 years earlier, would be regarded as so intimately connected to this case that it could be thought of as the "matter in controversy" here. And the theories upon which Kolon sought to make it relevant were, of course, of Kolon's strategic creation.

Suffice it that any theory that would render *Akzo* and this case (or the trade secrets case) the same matter in controversy was not apparent to the trial judge. Thus, if Kolon had a genuine concern about the integrity of the proceedings – which should be promptly resolved and addressed to assure the public's confidence in the judicial process

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[15] However, even in the Fourth Circuit, the fact that "two suits might have some facts in common [is] not controlling on whether they qualify as [the] same matter in controversy." *United States v. DeTemple*, 162 F.3d 279, 286 (4th Cir. 1998) (citation omitted).

– it was incumbent upon Kolon to bring that concern to the court's attention upon learning of the facts underlying it. A party cannot, as Kolon did here, wait until after it has suffered adverse rulings before pulling out what it hopes will be its trump card and claiming a basis for disqualification that it has been aware of all along. Such a tactic is especially inappropriate after the party's own counsel, as Kolon's counsel did here, previously assured the judge that the facts giving rise to a later-filed recusal motion provided no cause for concern. As every circuit to consider the issue has determined, timeliness is properly required in connection with a §455 motion.

II. THIS IS NOT "A PERFECT VEHICLE."

That there is no notable conflict among the circuits, or any conflict with any decision of this Court, is reason enough to deny the Petition. But this case presents a number of additional considerations that make it an unsuitable case in which to address the question presented.

1. Certiorari is properly denied when its resolution would be "irrelevant to the ultimate outcome of the case before the Court." Stephen Shapiro, *et al.*, *Supreme Court Practice* § 4.4(f), at 249 (10th ed. 2010). Resolution of the question presented by the Petition here would not change the disposition of Kolon's antitrust claims, which were rejected by the Fourth Circuit as a matter of law.

Nothing about the recusal motion would disturb the Fourth Circuit's conclusion, based on undisputed facts and principles of law, that "DuPont's reduced market share and lack of durable market power" show a lack of monopoly power and a

lack of "'dangerous probability' of successfully achieving monopoly power during the relevant period." Pet.App. 28a, 35a. And nothing will disturb the Fourth Circuit's determination, also based on undisputed facts, "that neither the probable nor the actual effect of DuPont's supply agreements was to 'foreclose competition in a substantial share of the line of commerce affected'" and that DuPont entered into its supply agreements "as a competitive response to [another competitor] … and because customers requested them." *Id.* at 32a-33a, 35a.[16]

2. Moreover, there is no connection between *Akzo* and the antitrust case that lends even passing color to Kolon's claim that, by virtue of their participation in *Akzo*, Judge Payne's law firm colleagues had acted as lawyers in the "matter in controversy" before Judge Payne in this case. Thus, Kolon's Petition is unlikely to provide Kolon with any relief on the antitrust claims for that reason as well.

Judge Shedd's theory in his dissent cannot salvage Kolon's Petition. He theorized that the trial judge should have recused himself in the antitrust case merely because it had not yet been severed from the trade secrets case at the point when Judge Shedd believes that the trial judge should have

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[16] Kolon suggests that perhaps certain of the trial judge's discovery rulings may have tainted the Fourth Circuit's determination that its antitrust claims fail as a matter of law. But Kolon ignores the Fourth Circuit's affirmance of those rulings on appeal, Pet.App. 22a-24a, and fails to explain why relief would extend to those rulings or how Kolon proposes to cure the basic, objective defects in its antitrust claims.

recused himself *sua sponte* (based on the allegation that trade secrets may have been disclosed in *Akzo*). Pet.App. 39a.

But that is not the proper time at which to assess a remedy. Even if Kolon's motion were timely, the most logical point to consider whether Kolon was entitled to relief would be when it filed its motion in the antitrust case, suggesting some connection between *Akzo* and this case, giving rise to disqualification.[17] That happened only after the two cases had been formally severed.

3. Much of the Fourth Circuit's discussion (and Judge Shedd's dissent) focused on the trade secrets case. As described above, the purported relationships between *Akzo* and the trade secrets case, on the one hand, and the antitrust case, on the other, were different, as were the timing issues. The combined resolution of the disqualification issue in the context of these two separate appeals, would assuredly complicate this "perfect vehicle."

4. Kolon's Petition does not, as it tries to suggest, present a pure issue of timeliness. To the contrary, the Fourth Circuit found that Kolon's decision to withhold its motion for two years – long after assuring the trial judge that it saw no issues of bias, long after many rulings on many matters, and well after the trade secrets trial and verdict – reflected precisely the kind of tactical sandbagging

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[17] Even under Judge Shedd's theory, had the trial judge perceived a basis for recusal *sua sponte* in July 2011, he would have been well within his authority to sever the antitrust case from the trade secrets case at that time and recuse himself only from the latter.

that even Kolon seems to regard as improper.[18] Pet.App. 20a-21a n.9. This conduct would complicate any consideration of a timeliness requirement in the context of this case.

All these issues establish that this case would be far from a perfect vehicle in which to consider the question presented.

CONCLUSION

The petition for a writ of certiorari should be denied.

ADAM CHARNES
KILPATRICK TOWNSEND & STOCKTON LLP
1001 W. Fourth Street
Winston-Salem, NC 27101
(336) 607-7300

DAVID CROSS
Counsel of Record
KENT GARDINER
CLIFTON S. ELGARTEN
CROWELL & MORING LLP
1001 Pennsylvania Ave., N.W.
Washington, DC 20004-2595
(202) 624-2500
dcross@crowell.com

Counsel for Respondent

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[18] Judge Shedd suggested that Kolon "acted in a timely fashion" because DuPont "impeded" discovery into *Akzo* documents and "did not highlight the district judge's role in the prior litigation." Pet.App. 46a. First, there is no basis for any suggestion that any DuPont positions taken in connection with discovery were improper, or "impeded" anything. Second, the point is irrelevant not only because Judge Payne had no "role" in the prior litigation, but also because, as the majority pointed out, any personal role he may have had was irrelevant. The §455(b)(2) motion was based on McGuireWoods' involvement with *Akzo*, not Judge Payne's, and Kolon had known of McGuireWoods' involvement since 2009.

APPENDIX

APPENDIX

UNPUBLISHED

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

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No. 12-1260

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E.I. DUPONT DE NEMOURS & COMPANY,
Plaintiff-Appellee,

v.

KOLON INDUSTRIES, INC.,
Defendant-Appellant,

and

KOLON USA, INC.,
Defendant,

v.

ARAMID FIBER SYSTEMS, LLC,
Third Party Defendant.

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No. 12-2070

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E.I. DUPONT DE NEMOURS & COMPANY,
Plaintiff-Appellee,

v.

KOLON INDUSTRIES, INC.,
Defendant-Appellant,

and

KOLON USA, INC.,

Defendant,

v.

ARAMID FIBER SYSTEMS, LLC,

Third Party Defendant.

Appeals from the United States District Court for the Eastern District of Virginia, at Richmond.

Robert E. Payne, Senior District Judge.
(3:09-cv-00058-REP)

Argued: May 17, 2013

Decided: April 3, 2014

Before SHEDD and DIAZ, *Circuit Judges*, and DAVIS, *Senior Circuit Judge*.

Vacated and remanded with instructions by unpublished per curiam opinion. Judge Shedd wrote a separate opinion concurring in the judgment.

ARGUED: Paul D. Clement, BANCROFT, PLLC, Washington, D.C., for Appellant. Adam Howard Charnes, KILPATRICK TOWNSEND & STOCKTON LLP, Winston-Salem, North Carolina, for Appellee.

ON BRIEF: Stephen B. Kinnaird, Jeff G. Randall, Igor V. Timofeyev, PAUL HASTINGS LLP, Washington, D.C.; Jeffrey M. Harris, BANCROFT, PLLC, Washington, D.C., for Appellant. Raymond M. Ripple, Donna L. Goodman, E.I. DUPONT DE NEMOURS AND COMPANY, Wilmington, Delaware; Brian C. Riopelle, Rodney A. Satterwhite, MCGUIREWOODS

LLP, Richmond, Virginia; Richard D. Dietz, Thurston H. Webb, KILPATRICK TOWNSEND & STOCKTON LLP, Winston-Salem, North Carolina; Michael J. Songer, Stephen M. Byers, CROWELL & MORING LLP, Washington, D.C., for Appellee.

Unpublished opinions are not binding precedent in this circuit.

PER CURIAM:

"Absent fundamental error, we are loath to overturn a jury verdict in a civil case. Jury trials are expensive, in time and resources, both for the litigating parties and for society as a whole." *Terra Firma Investments (GP) 2 Ltd. v. Citigroup Inc.*, 716 F.3d 296, 298 (2d Cir. 2013). We are constrained to find such a fundamental error in this diversity action.

Appellee E.I. DuPont De Nemours & Co. (DuPont) sued Kolon Industries, Inc. (Kolon), under the Virginia Uniform Trade Secrets Act (the "VUTSA"), Va. Code § 59.1-336. After a seven-week trial, the jury returned a verdict finding that Kolon willfully and maliciously misappropriated 149 DuPont trade secrets and awarded DuPont $919.9 million in damages.

Kolon has timely appealed, raising a host of issues, urging us to enter judgment in its favor as a matter of law or, alternatively, to order a new trial. Having carefully considered the record before us and the arguments of counsel, we are persuaded that the district court abused its discretion, to Kolon's prejudice, when it granted one of DuPont's pre-trial motions in limine and thereby excluded relevant evidence material to Kolon's defense. Accordingly, we vacate the judgment and remand with instructions.

DuPont is a well-known chemical company that has, for more than thirty years, produced "Kevlar," a high-strength paraaramid fiber that is five times stronger than steel. Kevlar is used in ballistics, bullet-resistant armor, and automotive and industrial products. Kevlar is made through a highly complex chemical process that results in a dough-like polymer being spun at high speed until it becomes a fiber. DuPont maintains that Kevlar's production process is a "well-guarded secret." DuPont Br. 3. All DuPont employees working on Kevlar are required to sign a confidentiality agreement. Additionally, DuPont requires all visitors to the Kevlar plant to be pre-approved, and to sign a confidentiality agreement before entering.

Kolon is a South Korean corporation that has produced synthetic fibers, including nylon and polyester, for decades. Kolon engaged in pilot projects for the development of para-aramid pulp and fiber products in the 1980s and 1990s. It suspended its para-aramid research in the mid 1990s during the Asian financial crisis but resumed in 2000. In 2005, Kolon marketed a para-aramid fiber under the name "Heracron."

In 2006, Kolon sought out five former DuPont employees to work as consultants to improve its para-aramid manufacturing technology and to assist in resolving quality issues with Heracron. According to Kolon, the consultants "assured Kolon they were not sharing confidential DuPont information," Kolon Br. 3, but the jury was entitled to find, to the contrary, that Kolon willfully and knowingly acquired from one or more of the consultants a myriad of DuPont trade secrets concerning Kevlar, involving both technical and business/marketing confidential information.

DuPont learned of Kolon's alleged strategy of collecting and utilizing its trade secrets when Kolon

began consulting with Michael Mitchell, a former employee of DuPont. Mitchell had extensive knowledge of both the technical and business trade secrets relating to Kevlar. Kolon contacted Mitchell in 2007 and flew him to Korea to meet with Kolon to discuss certain aspects of Kevlar manufacturing. After his initial visit with Kolon representatives in Korea, Mitchell continued to communicate with Kolon about Kevlar's manufacturing process. In addition to Mitchell, Kolon obtained confidential information from several other former DuPont employees.

In 2008, the FBI opened an investigation into Mitchell and his relationship with Kolon. After a search warrant was executed at his home, Mitchell agreed to cooperate with the FBI. Through Mitchell and others, the FBI obtained compelling evidence of Kolon's misconduct. (On August 21, 2012, a federal grand jury in the Eastern District of Virginia indicted Kolon and five of its executives for theft of trade secrets, conspiracy, and obstruction of justice. *See United States v. Kolon Indus., Inc.*, No: 3:12-CR-137 (E.D. Va.)).

In February 2009, DuPont sued Kolon for substantial damages, alleging, among other theories, misappropriation of trade secrets under the VUTSA. Kolon filed antitrust counterclaims against DuPont. In due course, the district court granted DuPont's motion under Federal Rule of Civil Procedure 12(b)(6) and dismissed the counterclaims for failure to state a claim upon which relief could be granted. After we reversed the dismissal of the counterclaims and remanded, *see E.I. du Pont de Nemours & Co. v. Kolon Indus., Inc.*, 637 F.3d 435 (4th Cir. 2011), the district court proceeded to trial separately on the trade secret claims.

Critical to several of its theories of defense to DuPont's misappropriation claims, Kolon intended to introduce evidence that tended to suggest that a number of the alleged trade secrets put at issue by DuPont involved publicly available information. Specifically, Kolon theorized that DuPont itself had disclosed or otherwise failed to keep confidential such information in the course of intellectual property litigation in which it was engaged during the 1980s with its then primary competitor, AkzoNobel. One such case had been litigated in the Eastern District of Virginia ("the *Akzo* litigation"); DuPont was represented by the same law firm representing it in this case.

As the commencement of the trade secrets trial approached, DuPont filed a motion in limine "to Preclude Kolon from Presenting Evidence or Argument at Trial Concerning the *Akzo* Litigations," arguing that such evidence was not relevant and that permitting the jury to consider any such evidence would cause confusion and delay, to DuPont's prejudice. *See* Fed. R. Evid. 401, 403. The district court agreed with DuPont and granted the motion in a summary order, concluding, in part, that "Kolon ha[d] produced no evidence that any particular trade secret, much less a trade secret that is at issue in this litigation, was disclosed in the litigation between [DuPont] and Akzo, N.V." J.A. 1918.

The case proceeded to trial before a jury over the course of seven weeks. The jury deliberated for two days and on September 14, 2011, returned a verdict finding that Kolon willfully and maliciously misappropriated all the trade secrets put in issue by DuPont. The jury found that Kolon's misdeeds resulted in a benefit to itself worth $919.9 million and

awarded that amount in damages to DuPont. Following the verdict, the district court enjoined Kolon from para-aramid fiber production for twenty years. The district court denied Kolon's motion for a new trial and its renewed motion for judgment as a matter of law on January 27, 2012. Kolon filed this timely appeal on August 31, 2012. We stayed the district court's injunction pending our consideration of the merits of the appeal.

Meanwhile, Kolon's antitrust counterclaims were dismissed on summary judgment. We affirm the judgment in favor of DuPont on the antitrust counterclaims in an opinion filed today together with this opinion. *Kolon Indus., Inc. v. E.I. duPont de Nemours & Co.*, --- F.3d --- (4th Cir. 2014).

On appeal from the trade secrets verdict in this case, Kolon challenges a host of the district court's pre-trial orders, trial decisions, and post-trial rulings.[*] We reject summarily Kolon's contention that it should be awarded judgment as a matter of law, but we find that a new trial is warranted. In light of our remand for a new trial, we need not and do not address the remaining procedural and evidentiary issues raised by Kolon, as those issues may or may not arise upon remand and, in any event, may arise in a decidedly different posture.

Kolon argues that the district court abused its discretion in excluding all evidence and any mention of the *Akzo* litigation. Kolon maintains that the

[*] Kolon also challenges in this appeal, as it does in its appeal of the district court's summary judgment as to its antitrust counterclaims, the district court judge's denial of its motion for recusal. We reject that challenge here for the reasons stated in the companion opinion. *See infra* pp. 15-16.

excluded evidence would have tended to demonstrate that "[a]t least 42 of the trade secrets DuPont has asserted . . . involve information that was wholly or partially disclosed during the [prior] litigation." Kolon Br. 37. Kolon further asserts that the district court's exclusion of that evidence severely limited its ability to put on a meaningful defense because it prohibited Kolon from establishing that one or more of the 42 alleged trade secrets cannot meet the elements of a protectable trade secret.

DuPont responds that the district court did not abuse its discretion in excluding all *Akzo* litigation evidence because Kolon failed to demonstrate that any of the trade secrets at issue in this case were disclosed in the *Akzo* litigation. We agree with Kolon.

Upon its review of DuPont's motion in limine, the district court concluded that Kolon failed to produce any evidence that "any particular trade secret, much less a trade secret that is at issue in this litigation, was disclosed" in the prior litigation; that Kolon did not establish that two documents contained in the publicly-available Joint Appendix in the appeal of the prior litigation contained any trade secrets; and that the evidence from the *Akzo* litigation was therefore irrelevant, and even if marginally relevant, its relevance would be significantly outweighed by jury confusion and delay. J.A. 1918-1919.

We review a district court's evidentiary rulings for abuse of discretion and "will only overturn an evidentiary ruling that is arbitrary and irrational." *U.S. ex rel. Ubl v. IIF Data Solutions*, 650 F.3d 445, 453 (4th Cir.), *cert. denied*, 132 S. Ct. 526 (2011).

Under Virginia law, a "trade secret" is defined as:

> information, including but not limited to, a formula, pattern, compilation, program, device, method, technique, or process, that:
>
> 1. Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
>
> 2. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Va. Code § 59.1-336 (2013).

Under the Federal Rules of Evidence, evidence is relevant if it has a tendency to make a fact of consequence to the action more or less probable than it would be without the evidence. Fed. R. Evid. 401. We are persuaded that, under this inclusive standard, Kolon provided the district court with a sufficient number of examples of how information disclosed in the *Akzo* litigation contained details of the Kevlar production process that were strikingly similar to aspects of several of the alleged trade secrets in this case.

The district court's conclusion that "Kolon has produced no evidence that any particular trade secret, much less a trade secret that is at issue in this litigation, was disclosed in the litigation between the plaintiff and Akzo," J.A. 1918, is simply too stringent a standard for admissibility. Under the circumstances of this case, we think a "strikingly similar" standard of relevance is enough.

First, Kolon has drawn this Court's attention to the substantial similarities between two charts illustrating a certain aspect of the para-aramid production process. The parties agree that one of the charts was used as an exhibit in the *Akzo* litigation, and the other was used as an exhibit depicting some of the alleged trade secrets at issue in this suit. We conclude that Kolon was entitled to have the jury consider its contentions, including its expert opinion evidence, regarding the similarities and overlap between what is depicted in the two documents.

Second, in its opposition to DuPont's motion in limine, Kolon provided the district court with a chart comparing seven alleged trade secrets concerning the production process contained in an expert witness report in this case with descriptions of, and citations to, those same details of the production process that were disclosed in a trial exhibit in the *Akzo* litigation. *See* J.A. 6260-6261. Kolon explained in its opposition memorandum that this chart represented only the preliminary results of its review of the *Akzo* litigation evidence for the potential disclosure of all or part of alleged trade secrets in this case. We hold that Kolon was not required to establish, as the district court seemingly demanded, that evidence derived from the *Akzo* litigation amounted to an actual trade secret at issue in this case. Rather, to show the relevance of the evidence, Kolon simply needed to make a plausible showing that, either directly or circumstantially, one or more elements of DuPont's misappropriation claims, e.g., the reasonableness of its efforts to maintain confidentiality, was *less likely* true. Equivalently, Kolon simply needed to make a plausible showing that, either directly or circumstantially, one or more elements of its defenses, either to liability or to the quantum of damages, e.g., the reasonableness of its

asserted belief that its consultants were not disclosing trade secrets, was *more likely* true than not true.

This last-mentioned point is particularly salient here because one of Kolon's consultants had served as an expert witness for DuPont in the *Akzo* litigation. While there were myriad infirmities and deficiencies in that witness's testimony, and his credibility is surely open to serious question, Kolon was nonetheless entitled to put on its case through that witness, who was himself a DuPont witness in the *Akzo* litigation. The district court's wholesale preclusion of any mention of the *Akzo* litigation made that impossible.

With reluctance, we hold that the district court abused its discretion and acted arbitrarily in excluding, on the wholesale basis that it did, as irrelevant or insufficiently probative, evidence derived from the *Akzo* litigation. The usefulness of pre-trial in limine motions in streamlining trial generally and in fostering the orderliness of evidentiary presentations of complicated issues cannot be doubted. On the other hand, a court is often wise to await the unfolding of evidence before the jury before undertaking to make definitive rulings on the likely probative value of disputed evidence. Kolon has demonstrated on appeal that evidence from the prior litigation over DuPont's Kevlar program was not irrelevant as a matter of law and that the probative value of that potential evidence exceeded the bare minimum the district court seemed to ascribe to it. "Weighing probative value against unfair prejudice under [Rule] 403 means probative value with respect to a material fact if the evidence is believed, not the degree the court finds it believable." *Bowden v. McKenna*, 600 F.2d 282, 284–85 (1st Cir. 1979) (footnote and citation omitted).

Although it is true, as DuPont contends, that the mere "presence [of confidential information] in [a federal court's] public files, in and of itself, did not make the information contained in the document 'generally known' for purposes of the [UTSA]," *Hoechst Diafoil Co. v. Nan Ya Plastics Corp*., 174 F.3d 411, 419 (4th Cir. 1999) (last brackets in original), we also emphasized in that very case that "whether [ostensibly confidential information] remains a trade secret" "is a fact-intensive question to be resolved upon trial." *Id*.

To be sure, there is little doubt as to the *possibility* of juror confusion and perhaps delay arising from attention to other litigation in a trial having the complexity this one surely did. Nevertheless, under Federal Rule of Evidence 403, exclusion on that basis is only proper when the probative value of the evidence is *substantially outweighed* by the danger of confusion of the issues or misleading the jury. That standard is not satisfied on this record. At bottom, the potential for confusion and delay does not outweigh, much less *substantially* outweigh, the probative value (as to both liability and damages) of the excluded evidence. When a district court conducts a Rule 403 balancing exercise, ordinarily it should "give the evidence its maximum reasonable probative force and its minimum reasonable prejudicial value." *Deters v. Equifax Credit Info. Servs., Inc.*, 202 F.3d 1262, 1274 (10th Cir. 2000) (citations omitted). The district court did not do so in this instance.

We hasten to add that we are not to be understood to suggest that *anything* Kolon labels as derived from the *Akzo* litigation must be admitted on the retrial. We are persuaded, however, that the *blanket exclusion* of such evidence seriously prejudiced Kolon's ability to present its case to the jury. The district court is free on

remand to determine in a more nuanced and particularized manner what evidence offered by Kolon or DuPont should be admitted.

* * * *

As set forth in detail in the majority opinion in the companion case filed together with this opinion, *see Kolon Indus., Inc. v. E.I. duPont de Nemours & Co.*, --- F.3d ---, --- (4th Cir. 2014), we decline to countenance Kolon's belated disqualification motion under 28 U.S.C. § 455(b)(2). Although Kolon has sought to justify its dilatoriness by suggesting that it needed to ascertain the extent of the district judge's actual participation in the *Akzo* litigation before filing a recusal motion, the factual and legal basis for its eleventh hour motion for disqualification was the fact that the district court judge was a partner in a law firm representing DuPont in the earlier litigation. This was a fact known to Kolon from the first days after DuPont's complaint was filed and served in this case. In any event, for the very reasons set forth in the majority opinion in the companion opinion, we hold that Kolon's motion was untimely.

That said, we think it prudent to direct, pursuant to our supervisory powers under 28 U.S.C. § 2106, that all further proceedings on remand be conducted before a different district judge. Accordingly, for the reasons set forth, we vacate the judgment and remand this case to the Chief Judge of the Eastern District of Virginia, whom we direct, in the exercise of this Court's supervisory powers, to reassign it to another judge, who shall conduct further proceedings in a manner not inconsistent with this opinion.

VACATED AND REMANDED WITH INSTRUCTIONS

SHEDD, Circuit Judge, concurring in the judgment:

For the reasons stated in my separate opinion in *Kolon Industries, Inc. v. E.I. DuPont de Nemours & Co.*, No. 12-1587, I would find that the district judge was recused from this case under 28 U.S.C. § 455(b)(2) no later than July 2011, prior to the trade secrets trial.

I therefore concur in the judgment vacating the jury verdict and remanding for further proceedings. I likewise concur in the portion of the judgment requiring reassignment to another judge.