UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF MICHIGAN

TIARA YACHTS, INC., Plaintiff, v. BLUE CROSS BLUE SHIELD OF MICHIGAN, Defendant.	Civil Action No.: 1:22-cv-603 Judge: Hon. Robert J. Jonker Magistrate Judge: Ray Kent

DEFENDANT'S BRIEF IN SUPPORT OF ITS MOTION TO
STAY DISCOVERY PENDING RESOLUTION OF ITS MOTION TO DISMISS

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INTRODUCTION AND BACKGROUND

Plaintiff Tiara Yachts, Inc. sponsors a self-insured employee benefit healthcare plan (the "Plan"). In 2006 Blue Cross Blue Shield of Michigan ("BCBSM") and Plaintiff entered into an Administrative Services Contract ("ASC") under which BCBSM processed claims submitted by health care providers for services rendered to Plaintiff's self-insured employee benefit plan (the "Plan"). ECF No. 1, PageID.1, 3 ¶¶ 1, 15, 17–18. Plaintiff alleges that BCBSM engaged in prohibited conduct under ERISA while processing those claims and asserts two causes of action: first, that BCBSM is a fiduciary under ERISA and breached its fiduciary duties to Plaintiff, and second, that BCBSM engaged in prohibited transactions under ERISA. *Id.* at PageID.18-21 ¶¶ 105–15.

Following reversal of a separate motion to dismiss by the Sixth Circuit, BCBSM moved to dismiss, raising arguments for dismissal that had been raised previously but were not addressed by this Court or the Sixth Circuit. *See generally* ECF No. 66. BCBSM's motion argues that (i) the Complaint fails to plead breaches of fiduciary duty or prohibited transactions under ERISA, and (ii) Plaintiff's claims are time-barred. *See* ECF No. 66, PageID.1108-1113.

Before BCBSM filed its recent Motion to Dismiss, the Court entered an order setting an August 11, 2025 scheduling conference under Federal Rule of Civil Procedure 16. ECF No. 64, PageID.1092. But discovery at this stage would be wasteful if the Court were to dismiss the Complaint in its entirety, and disposition of the Motion to Dismiss (even if not granted in its entirety) would streamline the case and discovery significantly. BCBSM thus requests that the Court adjourn the Rule 16 scheduling conference currently scheduled for August 11 and stay discovery until the Court resolves the Motion to Dismiss or, alternatively, limit discovery to the case-dispositive issue of whether Plaintiff has already released its claims against BCBSM.

ARGUMENT

I. The Court Should Stay Discovery Pending Resolution of the Motion to Dismiss.

"'Trial courts have broad discretion and inherent power to stay discovery until preliminary questions that may dispose of the case are determined.'" *Otworth v. Fifth Third Bank*, No. 1:19-cv-55, 2020 WL 13546491, at *1 (W.D. Mich. Jan. 27, 2020) (quoting *Hahn v. Star Bank*, 190 F.3d 708, 719 (6th Cir. 1999)); *see* Fed. R. Civ. P. 26(c). The Supreme Court recently encouraged "district courts [to] use existing tools . . . to screen out meritless [ERISA] claims before discovery." *Cunningham v. Cornell Univ.*, 145 S. Ct. 1020, 1032 (2025). Similarly, the Sixth Circuit recognizes that "[l]imitations on pretrial discovery are appropriate where claims may be dismissed 'based on legal determinations that could not have been altered by any further discovery.'" *Gettings v. Bldg. Laborers Local 310 Fringe Benefits Fund*, 349 F.3d 300, 304 (6th Cir. 2003) (quoting *Muzquiz v. W.A. Foote Mem'l Hosp., Inc.*, 70 F.3d 422, 430 (6th Cir. 1995)).

As one court in this district has noted, "[a] stay of discovery pending the determination of a dispositive motion is an eminently logical means to prevent wasting the time and effort of all concerned, and to make the most efficient use of judicial resources." *Otworth*, 2020 WL 13546491, at *1 (quoting *Chavous v. Dist. of Columbia Fin. Resp. & Mgmt. Assistance Auth.*, 201 F.R.D. 1, 2 (D.D.C. 2001)). Another court in this district similarly observed that "[t]he purpose of a motion to dismiss for failure to state a claim is 'to enable defendants to challenge the legal sufficiency of complaints without subjecting themselves to discovery.'" *Fedorova v. Foley*, No. 1:22-cv-991, 2023 WL 3379957, at *1 (W.D. Mich. May 11, 2023) (quoting *Yuhasz v. Brush Wellman, Inc.*, 341 F.3d 559, 566 (6th Cir. 2003)).

BCBSM's pending Motion to Dismiss is case dispositive and, even if not granted in its entirety, would substantially narrow any remaining claims. For example, the Motion to Dismiss argues that Plaintiff's claims are time-barred under ERISA's three-year statute of limitations. *See*

ECF No. 66, PageID.1111-1113. As discussed in the Motion to Dismiss, this statute of limitations argument would dispose of all of Plaintiff's claims. *Id*. Similarly, the motion argues that the Complaint has not pled any actionable breaches or prohibited transactions with respect to the Plan. The Court may dismiss the case in its entirety independently on that basis as well.

But even if the Court held that the case was subject to ERISA's six-year statute of repose, as the Motion to Dismiss argues in the alternative, that holding would cut the relevant time period in half and thus narrow the scope of discovery.

The Motion to Dismiss also argues that Plaintiff's claims should be partially dismissed to the extent they are based on alleged claims processing errors because such errors cannot establish a breach of fiduciary duty claim. *Id*. at PageID.1111. If this argument is successful, it would also limit the scope of any remaining claims and corresponding discovery.

Engaging in discovery before the Court addresses BCBSM's arguments would thus "contravene the very purpose of Rule 12." *Fedorova*, 2023 WL 3379957, at *1. By contrast, deferring discovery until the Court rules on the Motion to Dismiss would not prejudice Plaintiff. A stay would only briefly defer discovery, and no plausible risk exists that a deferred discovery process would impede Plaintiff's access to sources of information if the Court were to find that any of Plaintiff's claims survive BCBSM's motion. Rather, staying discovery pending adjudication of BCBSM's motion would preserve the Court's and parties' resources and ensure that any discovery proceeds in respect of legally sufficient claims.

II. In the Alternative, the Court Should Limit the Scope of Discovery.

Should the Court find that a complete stay of discovery is inappropriate, the Court should limit the scope of discovery to the issue of whether Plaintiff released its claims against BCBSM. *See* Fed. R. Civ. P. 26(c)(1)(D) (providing courts with the discretion to "limit[] the scope of disclosure or discovery to certain matters" "to protect a party . . . from . . . undue burden or

expense"). Under Article IV § B.6 of their operative contract, the parties agreed that a final settlement payment between them would release "any and all" of Plaintiff's claims against BCBSM, whether known or unknown. *See* ECF No. 12-2, PageID.150 ("The payment to Group or to BCBSM as provided in the immediately preceding sentence shall fully and finally settle, release, and discharge each party from any and all claims that are known, unknown, liquidated, non-liquidated, incurred-but-not-reported, adjustments, recoupments, receivables, recoveries, rebates, hospital settlements, and other sums of money due and owing between the parties and arising under this Contract."). Additionally, Plaintiff, upon receipt of the final settlement payment, executed a separate release in addition to the one included in the parties' contract. *See* Exhibit A ("This mutual final settlement is made among BCBSM, Group and the group health plan and fully and finally settles, releases and discharges each party from any and all claims that are known, unknown, liquidated, non-liquidated, incurred-but-not-reported (IBNR), adjustments, recoupments, receivables, recoveries, rebates, hospital settlements, and other sums of money due and owing between the parties and arising under the administrative services contract and arrangement.").

If BCBSM's Motion to Dismiss is denied, BCBSM intends to pursue a motion for judgment on the pleadings under Federal Rule of Civil Procedure 12(c) based on, among other things, this release. Although BCBSM does not believe any discovery is needed to adjudicate arguments based on the release, it respectfully submits that any discovery should be limited to that issue if the Court does not stay discovery in full. Such an approach would ensure that both parties' and the Court's resources are tailored to a question that could put an early end to this litigation. *See, e.g.*, *Cunningham*, 145 S. Ct. at 1032 ("district courts retain discretionary authority to expedite or limit

discovery as necessary to mitigate unnecessary costs" to the extent ERISA "claims . . . do proceed past the motion to dismiss stage").

CONCLUSION

For these reasons, BCBSM respectfully asks the Court to adjourn the Rule 16 conference and stay discovery or, alternatively, limit discovery pending resolution of BCBSM's Motion to Dismiss.

Dated: July 18, 2025

Respectfully submitted,

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