

CHARLES E. SYDNOR III, ESQ.  
Legislative District 44  
Baltimore City and Baltimore County

Judicial Proceedings Committee

Joint Committees

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James Senate Office Building  
11 Bladen Street, Room 216  
Annapolis, Maryland 21401  
410-841-3612 · 301-858-3612  
800-492-7122 Ext. 3612  
Charles.Sydnor@senate.state.md.us

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

**Senator Charles E. Sydnor III**  
**Testimony Regarding SB 335 - Courts**  
**Nongovernmental Corporate Parties – Disclosure Statements**  
**Before Judiciary Committee**  
**March 31, 2021**

*It is desirable that judicial proceedings should take place under the public eye. . . . Because it is of the highest moment that those who administer justice should always act under the sense of public responsibility, and that every citizen should be able to satisfy himself with his own eyes as to the mode in which a public duty is performed. — Massachusetts Supreme Judicial Court Justice Oliver Wendell Holmes, 1894*

Good afternoon Chair Clippinger, members of the Judiciary Committee,

Transparency in our justice system, as Massachusetts Supreme Judicial Court Justice Oliver Wendell Holmes noted in 1894, is vital. Rule 7.1 of the Federal Rules of Civil Procedure requires a nongovernmental corporate party in a lawsuit to file a disclosure statement identifying any parent corporation or other publicly held corporation owning more than 10% of its stock.<sup>1</sup> This disclosure requirement allows parties in federal suits to be aware of others that may have a stake in the proceeding. Currently, Maryland does not require the same kind of disclosure for proceedings within our state court system. This bill changes that and bolsters transparency in our state’s civil justice system.

Senate Bill 335 requires nongovernmental corporate parties to file a disclosure statement with its first filing in a state lawsuit. The statement will identify any parent corporation of the party and any publicly held corporation owning 10% or more of its stock. If these do not apply to the party, the party will state that there is no parent corporation in the disclosure statement. The bill is meant to be interpreted in a manner consistent with the Federal Rules of Civil Procedure.

Senate Bill 335 helps ensure transparency in several ways. Often in litigation, some business entities are able to shield who has an interest in the proceeding by refusing to identify its owners. Any corporate entity utilizing Maryland courts should not be able to keep these identities secret. This issue was on display in *Smith v. Westminster Management, LLC*,<sup>2</sup> where the case was sent

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<sup>1</sup> Fed. R. Civ. P. 7.1.

<sup>2</sup> *Smith v. Westminster Management, LLC*, 292 F. Supp. 3d 645 (D. Md. 2018).

back to state court from federal court because the defendant company did not want to disclose its members.<sup>3</sup>

Senate Bill 335 will also help judges better identify conflicts of interest with the parties before them. By requiring disclosure of corporate ownership, judges will have more information about whether they have a conflict of interest with the party. Currently, there is no method for state court judges (or the public) to know if the judge has a financial interest in an entity appearing in a judicial proceeding. This bill's disclosure requirements will allow a judge to know if they have a conflict of interest and should recuse his or her self from the case.

Finally, Senate Bill 335 will benefit Maryland's judicial system because it will make Maryland disclosure procedures consistent with federal procedures. Maryland courts, in this regard, should be as transparent as our federal courts. There is no just policy reason to allow corporate entities to conceal ownership interests in state court but require disclosure in federal court.

Transparency is essential to ensure a fair justice system. Senate Bill 335's disclosure requirements will greatly improve transparency in Maryland courts. Aligning Maryland procedures with federal procedures increases overall consistency in the judicial process, which in this case, will benefit everyone involved.

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<sup>3</sup> *Id.* at 648.