

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
KENTUCKY

Dan Carman, et al. v. Scott Besent, et al.

5:22-cv-00149-KKC-EBA · No. 5:22-cv-00149-KKC-EBA · Decided January 22, 2026

SUMMARY

The United States District Court for the Eastern District of Kentucky overruled Defendants’ objection to a magistrate judge’s order compelling discovery concerning the government’s handling of reports required under 26 U.S.C. § 6050I. The court held that the Sixth Circuit’s prior decision did not foreclose discovery regarding the government’s use or sharing of reported information, that judicial estoppel did not apply, and that the discovery was potentially relevant to Plaintiffs’ surviving facial First and Fourth Amendment claims. The court lifted the stay and ordered Defendants to supplement their discovery responses.

CASE DETAILS

COURT	United States District Court for the Eastern District of Kentucky
WRITING FOR THE COURT	Karen K. Caldwell
JURISDICTION	United States District Court for the Eastern District of Kentucky
DECIDED	January 22, 2026
DOCKET	5:22-cv-00149-KKC-EBA
DISPOSITION	other
PROCEDURAL POSTURE	Defendants objected under Federal Rule of Civil Procedure 72(a) and 28 U.S.C. § 636(b)(1)(A) to a magistrate judge’s nondispositive order granting in part Plaintiffs’ motion to compel discovery.
STANDARD OF REVIEW	Under 28 U.S.C. § 636(b)(1)(A) and Federal Rule of Civil Procedure 72(a), factual findings on an objection to a nondispositive magistrate judge order are reviewed for clear error, legal conclusions de novo, and mixed questions on a sliding scale between clear error and contrary-to-law review. Relevance determinations are reviewed for abuse of discretion, and judicial estoppel is reviewed de novo.
PRECEDENTIAL VALUE	unpublished district court opinion and order

TOPICS

discovery dispute

civil procedure

first amendment

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PRACTICE AREAS

civil procedure

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discovery

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QUESTIONS PRESENTED

1. Whether the magistrate judge's discovery order exceeded the scope of the Sixth Circuit's mandate or was barred by the law-of-the-case doctrine.
2. Whether judicial estoppel barred Plaintiffs from seeking discovery concerning the government's use and sharing of § 6050I information.
3. Whether the challenged discovery requests were relevant and proportional to Plaintiffs' surviving facial First and Fourth Amendment claims.

HOLDINGS

1. The Sixth Circuit's decision addressed standing and ripeness but did not decide the proper scope of discovery; therefore, the law-of-the-case doctrine and mandate rule did not bar discovery concerning the government's use and sharing of § 6050I information.
2. Judicial estoppel did not bar Plaintiffs from seeking discovery concerning the government's use and dissemination of § 6050I information.
3. The magistrate judge did not abuse his discretion in finding most of Plaintiffs' discovery requests relevant and proportional to the needs of the case.

KEY QUOTATIONS

“Because the court of appeals confined its decision to standing and ripeness, the law-of-the-case doctrine does not control the present discovery dispute.” (at 7)

“Judicial estoppel therefore does not bar Plaintiffs’ discovery requests.” (at 10)

“Because the Magistrate Judge correctly determined that the challenged discovery requests are potentially relevant to Plaintiffs’ surviving facial claims, Defendants’ Objection (R. 68) is overruled.” (at 12)

FACTUAL BACKGROUND

Plaintiffs regularly engage in cryptocurrency-related transactions potentially subject to the reporting requirements of 26 U.S.C. § 6050I, as amended to include digital assets within the definition of cash. Their surviving claims challenge the statute's compelled reporting requirements under the First and Fourth Amendments. The disputed discovery seeks information about how the government analyzes, verifies, uses, discloses, and shares information obtained through § 6050I reports.

PROCEDURAL HISTORY

Plaintiffs brought constitutional challenges to 26 U.S.C. § 6050I. The district court initially dismissed the claims for lack of ripeness and standing, but the Sixth Circuit affirmed in part and reversed in part, holding that Plaintiffs' facial First and Fourth Amendment claims were ripe and that Plaintiffs had standing, while speculative as-applied theories were not. After remand, the magistrate judge granted most of Plaintiffs' motion to compel discovery concerning the government's analysis, use, disclosure, and sharing of § 6050I information. The district court overruled Defendants' objection, lifted the stay, and ordered supplemental discovery responses.

DISPOSITION

other

REMAND INSTRUCTIONS

The objection was overruled, the stay imposed by the magistrate judge was lifted, and Defendants were ordered to supplement their responses to the discovery requests within thirty days of entry of the order. The opinion text contains an apparent typographical inconsistency stating 'thirty (80) days.'

CASES CITED

- Carman v. Yellen, 112 F.4th 386, 405-407 (6th Cir. 2024)
- Bisig v. Time Warner Cable, Inc., 940 F.3d 205, 219, 221 (6th Cir. 2019)
- Soberay Mach. & Equip. Co. v. MRF Ltd., Inc., 181 F.3d 759, 770 (6th Cir. 1999)
- Lorillard Tobacco Co. v. Chester, Willcox & Saxbe, 546 F.3d 752, 757 (6th Cir. 2008)
- United States v. Moored, 38 F.3d 1419, 1421 (6th Cir. 1994)
- John B. v. Emkes, 710 F.3d 394, 403 (6th Cir. 2013)
- Browning v. Levy, 283 F.3d 761, 775 (6th Cir. 2002)
- Audio Technica U.S., Inc. v. United States, 963 F.3d 569, 574 (6th Cir. 2020)
- Teledyne Indus., Inc. v. NLRB, 911 F.2d 1214, 1218 (6th Cir. 1990)
- Shufeldt v. Baker, Donelson, Bearman, Caldwell & Berkowitz, Prof'l Corp., 855 F. App'x 239, 243 (6th Cir. 2021)
- New Hampshire v. Maine, 532 U.S. 742, 750-751 (2001)
- Bush v. Dictaphone Corp., 161 F.3d 363, 367 (6th Cir. 1998)
- Lewis v. ACB Bus. Servs., Inc., 135 F.3d 389, 402 (6th Cir. 1998)
- Oppenheimer Fund, Inc. v. Sanders, 437 U.S. 340, 351 (1978)
- Harris v. Nelson, 394 U.S. 286, 297 (1969)