

## Recent Decisions in E-Discovery

### That Affect All of Us

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The United States is unique in trying to have litigating parties attempt to work out discovery issues amongst themselves first, before submitting the matter to the court. The requirements for discovery are governed by the Federal Rules of Civil Procedure ("FED. R. CIV. P.") as initially drafted and subsequently amended by the Supreme Court. It is rather ironic that two parties in such conflict that they are in court in the first place, are obligated to work together to try and agree upon and/or resolve issues with regards to discovery. Much of the pre-trial motion practice is based on discovery disputes, including motions to compel production (i.e. of a witness, documents or answers to interrogatories) or motions for a protective order to avoid the obligation of production due to burden, unreasonableness of the request or other reason.

In December 2006, the Supreme Court amended the FED. R. CIV. P. rather significantly to account for electronically stored information ("ESI"). The motion practice and case law leading up to these changes made it clear that certain presumptions in the pre-2006 rules were no longer appropriate given the sheer volume of ESI involved in most cases. Under the pre-2006 rules, a typical discovery request might be for "all original documents, including all non-identical copies when different from the original due to notations of any kind on such copies" responsive to some topic. Due to the wide spread use of various information systems, backup systems and even disaster recovery systems, it became increasingly apparent that ESI might mean numerous copies of the original which would need to be reviewed and vetted to determine which copies were "non-identical". This process was time consuming, often costly and usually required a burden on the producing party in terms of personnel and disruption of business to conduct the search.

"During 2003 and 2004, United States District Court Judge Shira A. Scheindlin issued five groundbreaking opinions in the case of *Zubulake v UBS Warburg*. *Zubulake* is generally considered the first definitive case in the United States on a wide range of electronic discovery issues. These issues include:

- The scope of a party's duty to preserve electronic evidence during the course of litigation;
- Lawyer's duty to monitor their clients' compliance with electronic data preservation and production;
- Data sampling;

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- The ability for the disclosing party to shift the costs of restoring “inaccessible” back up tapes to the requesting party;
- The imposition of sanctions for the spoliation (or destruction) of electronic evidence.”<sup>2</sup>

## ESI Production in Complex Litigation

Quoting the Manual for Complex Litigation (Fourth Edition), the district court in the *In re Seroquel* case recognized its guidance for dealing with such vast amounts of data:

“Computerized data have become commonplace in litigation. The sheer volume of such data, when compared with conventional paper documentation, can be staggering.... One gigabyte is the equivalent of 500,000 type-written pages. Large corporate computer networks create backup data measured in terabytes, or 1,000,000 megabytes; each terabyte represents the equivalent of 500 billion [sic] typewritten pages of plain text.

Digital or electronic information can be stored in any of the following: mainframe computers, network servers, personal computers, hand-held devices, automobiles, or household appliances; or it can be accessible via the Internet, from private networks, or from third parties. Any discovery plan must address issues relating to such information, including the search for it and its location, retrieval, form of production, inspection, preservation, and use at trial.

For the most part, such data will reflect information generated and maintained in the ordinary course of business. As such, discovery of relevant and nonprivileged data is routine and within the commonly understood scope of Rule 26 and 34. Other data are generated and stored as a byproduct of the various information technologies commonly employed by parties in the ordinary course of business, but not routinely retrieved and used for business purposes. Such data include the following:

Metadata, or “information about information.” This includes the information embedded in a routine computer file reflecting the file creation date, when it was last accessed or edited, by whom, and sometimes previous versions or editorial changes. This information is not apparent on a screen or in a normal printout of the file, and it is often generated and maintained without the knowledge of the file user....”<sup>3</sup>

The district court continued its quote from the Manual for Complex Litigation to address production of ESI:

“There are several reasons to encourage parties to produce and exchange data in electronic form ...

-- production of computer data on disks, CD-ROMS, or by file transfers significantly reduces the costs of copying, transport, storage, and management-- protocols may be established by the parties to facilitate the handling of documents from initial production to use in depositions and pretrial procedures to presentation at trial;

<sup>2</sup> *Kroll Ontrack's Legal Resources: Zubulake v. UBS Warburg*; found online at <http://www.krollontrack.co.uk/legalresources/zubulake.aspx>.

<sup>3</sup> *In re Seroquel Products Liability Litigation*, --- F.Supp.2d ----, 2007 WL 2412946, \*4 (M.D.Fla. 2007).

-- computerized data are far more easily searched, located, and organized than paper data; and  
-- computerized data may form the contents for a common document depository. The goal is to maximize these potential advantages while minimizing the potential problems of incompatibility among various computer systems, programs, and data, and minimizing problems with intrusiveness, data integrity, and information overload...."<sup>4</sup>

Production of ESI in an electronic form is not mandated however under Rule 34.

"A leading resource on dealing with electronic discovery is the Second Edition of the Sedona Principles, on which AZ relied at the July 26, 2007 hearing on the Motion for Sanctions. Principle 3 states, "Parties should confer early in discovery regarding the preservation and production of electronically stored information when these matters are at issue in the litigation and seek to agree on the scope of each party's rights and responsibilities." *The Sedona Principles, Second Edition: Best Practices, Recommendations & Principles for Addressing Electronic Document Discovery* (The Sedona Conference Working Group Series, 2007)."<sup>5</sup>

### **ESI Production – One Court’s Guide**

In the O’Bar case,<sup>6</sup> the Western District of North Carolina specified the guidelines to be used by the parties in their Rule 26(f) conference based on the District Court of Maryland’s guide.<sup>7</sup> The following is a shortened paraphrase of the guide as quoted in the O’Bar case:

- A. The anticipated scope of requests for, and objections to, production of ESI, as well as the form of production of ESI and, specifically, but without limitation, whether production will be of the Native File, Static Image, or other searchable or non-searchable formats.
- B. Whether Meta-Data is requested for some or all ESI and, if so, the volume and costs of producing and reviewing said ESI.
- C. Preservation of ESI during the pendency of the lawsuit, specifically, but without limitation, applicability of the “safe harbor” provision of the FED. R. CIV. P. Rule 37, preservation of Meta-Data, preservation of deleted ESI, back up or archival ESI, ESI contained in dynamic systems, ESI destroyed or overwritten by the routine operation of systems, and, offsite and offline ESI (including ESI stored on home or personal computers). This discussion should include whether the parties can agree on methods of review of ESI by the responding party in a manner that does not unacceptably change Meta-Data.
- D. Post-production assertion, and preservation or waiver of, the attorney-client privilege, work product doctrine, and/or other privileges in light of “clawback,” “quick peek,” or testing or sampling procedures, and submission of a proposed order.

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<sup>4</sup> *Id.* at \*4-5.

<sup>5</sup> *Id.* at \*6 (footnote omitted).

<sup>6</sup> O’Bar v. Lowe’s Home Centers, Inc. 2007 WL 1299180 (W.D.N.C.)

<sup>7</sup> O’Bar, 2007 WL 1299180 at \*4, fn 2 (noting location of the guide found online at: <http://www.mdd.uscourts.gov/news/news/ESIProtocol.pdf>.)

- E. Identification of ESI that is or is not reasonably accessible without undue burden or cost, specifically, and without limitation, the identity of such sources and the reasons for a contention that the ESI is or is not reasonably accessible without undue burden or cost, the methods of storing and retrieving that ESI, and the anticipated costs and efforts involved in retrieving that ESI.
- F. Because identifying information may not be placed on ESI as easily as bates-stamping paper documents, methods of identifying pages or segments of ESI produced in discovery should be discussed, and, specifically, and without limitation, the following alternatives may be considered by the parties: electronically paginating Native File ESI pursuant to a stipulated agreement that the alteration does not affect admissibility; renaming Native Files using bates-type numbering systems, e.g., ABC0001, ABC0002, ABC0003, with some method of referring to unnumbered "pages" within each file; using software that produces "hash marks" or "hash values" for each Native File; placing pagination on Static Images; or any other practicable method. The parties are encouraged to discuss the use of a digital notary for producing Native Files.
- G. The method and manner of redacting information from ESI if only part of the ESI is discoverable.
- H. The nature of information systems used by the party or person or entity served with a subpoena requesting ESI, including those systems described herein. Counsel should be prepared to list the types of information systems used by the client and the varying accessibility, if any, of each system.
- I. Specific facts related to the costs and burdens of preservation, retrieval, and use of ESI.
- J. Cost sharing for the preservation, retrieval and/or production of ESI, including any discovery database, differentiating between ESI that is reasonably accessible and ESI that is not reasonably accessible; provided however that absent a contrary showing of good cause, e.g., the FED. R. CIV. P. Rule 26(b)(2)(C), the parties should generally presume that the Producing Party bears all costs as to reasonably accessible ESI and, provided further, the parties should generally presume that there will be cost sharing or cost shifting as to ESI that is not reasonably accessible.
- K. Search methodologies for retrieving or reviewing ESI such as identification of the systems to be searched; identification of systems that will not be searched; restrictions or limitations on the search; factors that limit the ability to search; the use of key word searches, with an agreement on the words or terms to be searched; using sampling to search rather than searching all of the records; limitations on the time frame of ESI to be searched; limitations on the fields or document types to be searched; limitations regarding whether back up, archival, legacy or deleted ESI is to be searched; the number of hours that must be expended by the searching party or person in conducting the search and compiling and reviewing ESI; and the amount of preproduction review that is reasonable for the Producing Party to undertake in light of the considerations set forth in the FED. R. CIV. P. Rule 26(b)(2)(C).
- L. Preliminary depositions of information systems personnel, and limits on the scope of such depositions. Counsel should specifically consider whether limitations on the scope of such depositions should be submitted to the Court with a proposed order that, if entered, would permit Counsel to instruct a

witness not to answer questions beyond the scope of the limitation, pursuant to the FED. R. CIV. P. Rule 30(d)(1).

- M. The need for two-tier or staged discovery of ESI, considering whether ESI initially can be produced in a manner that is more cost-effective, while reserving the right to request or to oppose additional more comprehensive production in a latter stage or stages.
- N. The need for any protective orders or confidentiality orders, in conformance with the Local Rules and substantive principles governing such orders.
- O. Any request for sampling or testing of ESI; the parameters of such requests; the time, manner, scope, and place limitations that will voluntarily or by Court order be placed on such processes; the persons to be involved; and the dispute resolution mechanism, if any, agreed-upon by the parties.
- P. Any agreement concerning retention of an agreed-upon Court expert, retained at the cost of the parties, to assist in the resolution of technical issues presented by ESI.

### **Required Form of Production**

During the pre-trial conference, or Rule 26(f) conference, the parties to litigation must discuss ESI if such discovery is contemplated in the action. This means that both parties must have a clear understanding of what ESI exists, what type of systems store such information and what efforts would be required to access and/or restore such information. Once the parties determine what the ESI is, how and if it is to be produced, the parties must also agree on the form of production. The actual order of the produced documents is to be as the documents are kept in the ordinary course of business.<sup>8</sup>

In *MGP Ingredients, Inc. v. Mars, Inc.*, the District Court of Kansas held that “Subsection (i) [of Rule 34] makes it very clear that the producing party must either produce the documents as they are kept in the usual course of business or organize and label them to correspond with the categories in the request.”<sup>9</sup> The District Court continued its analysis to conclude the producing party had the option to produce in either of those two formats. If the producing party can substantiate that the form in which it produced the ESI is how the information was kept in the ordinary course of business, then the production is sufficient, despite the difficulty for the receiving party to review and/or match the discovery to the requests. The District Court also noted other rulings permitting the producing party’s discretion in the form of production as long as it complied with one of the two prongs in Rule 34:

“*See PamLab, L.L.C. v. Rite Aid Corp.*, No. Civ. A. 04-1115-DJB-SS, 2005 WL 1588238, at \* 1-2 (E.D. La. June 27, 2005) (producing party has the right to choose between the two production formats authorized by Rule 34(b)); *In re Adelpia Commc’ns Corp.*, 338 B.R. 546, 553 (Bankr.S.D.N.Y.2005) (“Rule 34(b) gives the producing party the option of labeling and organizing the documents or giving the discovering party access in the usual course of business,” and, thus, producing party retains right to choose between the two production formats); *In*

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<sup>8</sup> The FED. R. CIV. P., Rule 34(b)(i) provides that “[u]nless the parties otherwise agree, or the court otherwise orders ... a party who produces documents for inspection shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the request...”

<sup>9</sup> *MGP Ingredients, Inc. v. Mars, Inc.*, 2007 WL 3010343, \*3 (D.Kan. 2007).

*re G-I Holdings Inc.*, 218 F.R.D. 428, 439 (D.N.J.2003) (“The plain phrasing of Rule 34(b) reveals that the producing party has the option of presenting information in one of two ways.”); *Rowlin v. Al. Dep’t of Pub. Safety*, 200 F.R.D. 459, 462 (M.D.Ala.2001) (Rule 34(b) leaves it to producing party to decide which of the two ways it will produce its records, so long as the records have not been maintained in bad faith); see also 8A Charles Alan Wright, Arthur R. Miller, & Richard L. Marcus, *Federal Practice and Procedure* § 2213at p. 431-32 (2d ed. 1994) (“[T]he producing party should retain the right to choose between the [two] production formats authorized by Rule 34(b)....”).<sup>10</sup>

Are the requirements as to form of production the same under Rule 33 and Rule 34? The answer is yes, with a caveat. The Rule 34 production options listed above apply as well to a responding party’s choice to produce documents in response to interrogatories under Rule 33. The caveat is that the receiving party must be able to discern the answers from such production. If, for example, the information were archived haphazardly in cardboard boxes, the production of such originals for review would probably not meet the intent of Rule 33 and a court could order the responding party to modify the form of production to more clearly identify which documents respond to which interrogatories.

In *Oklahoma, ex rel. Edmondson*, the Northern District of Oklahoma assessed the similarities and distinctions between production responsive to Rule 33 and Rule 34.<sup>11</sup> “Rules 34(b) and 33(d) are intended to complement each other. The 2006 Federal Rules Civil Advisory Committee note makes clear that for electronically stored information ‘Rule 33(d) is amended to parallel Rule 34(a).’”<sup>12</sup> Although the “responding party has a duty to indicate, with some degree of specificity, from what documents the answer can be ‘derived or ascertained.’”<sup>13</sup> While a court may order that the response to a Rule 33 interrogatory be clearly labeled (or indexed or bates numbered), it is not necessary for such restrictions on a Rule 34 production where the production is in the form of the information is kept in the course of ordinary business.<sup>14</sup> The court in *Oklahoma* held “the pivotal consideration in deciding discovery challenges under rule 34(b), like the defendant’s in this case, where a large number of documents have been produced based on an ‘as they are kept in the usual course of business’ election is whether the filing system for the produced documents ‘is so disorganized that it is unreasonable for the [party to whom the documents have been produced] to make [its] own review.’”<sup>15</sup>

The courts modify the right to produce as such documents are kept in the ordinary course, when such production does not appear to have any order or the normal course actually works to conceal rather than make the answers readily ascertainable.<sup>16</sup> The

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<sup>10</sup> *MGP*, 2007 WL 3010343 at \*3, fn. 8.

<sup>11</sup> *Oklahoma, ex rel. Edmondson*, 2007 WL 1498973 (N.D.Okla. 2007).

<sup>12</sup> *Oklahoma*, 2007 WL 1498973 at \*2.

<sup>13</sup> *Oklahoma*, 2007 WL 1498973 at \*2.

<sup>14</sup> *Washington v. Thurgood Marshall Academy*, 232 F.R.D. 6 (D.D.C.2005); see also *Renda Marine, Inc. v. U.S.*, 58 Fed. Cl. 57, 63 (U.S.Cl. 2003)

<sup>15</sup> *Oklahoma*, 2007 WL 1498973 at \*2 (citing *Renda Marine* at 64).

<sup>16</sup> See *Wagner v. Dryvit Sys., Inc.*, 208 F.R.D. 606, 610-11 (D.Neb.2001) (“producing large amount of documents in no apparent order does not comply with a party’s obligation under Rule 34”); *Kozlowski v. Sears, Roebuck & Co.*, 73 F.R.D. 73, 76 (D.Mass.1976) (stating that a party “may not excuse itself from compliance with Rule 34... by utilizing a system of record-keeping which conceals rather than discloses relevant records, or makes it unduly difficult to identify or

court in *Oklahoma*, required the producing party to either point the receiving party to the responsive documents, or to provide a key or index of the information to the receiving party to aid that party's review of the produced documents.<sup>17</sup>

With regards to ESI, the courts may also require that the form of production preserve "hidden" metadata. In *Williams v. Sprint*,<sup>18</sup> the district court required that ESI be produced in its "native format" to preserve such metadata. The *Williams* court went into a detailed analysis of what metadata is and how and when it is subject to discovery.

### **What is Easily Accessible Data versus Inaccessible Data?**

While the modified Federal Rules of Civil Procedure allow for ESI, such information is "on equal footing with discovery of paper documents."<sup>19</sup> "Consequently, without a qualifying reason, plaintiff is no more entitled to access to defendant's electronic information storage systems than to defendant's warehouses storing paper documents."<sup>20</sup> The FED.R.CIV.P., Rule 34 amendments were designed to have the parties negotiate between themselves about the production of ESI and for addressing issues of non-production on the basis that the information is "not readily accessible." The Southern District of Ohio in assessing the accessibility of discovery clarified in detail what this means in terms of ESI:

"The discovery process is designed to be extrajudicial, and relies upon the responding party to search his records to produce the requested data. In the absence of a strong showing that the responding party has somehow defaulted in this obligation, the court should not resort to extreme, expensive, or extraordinary means to guarantee compliance. Imaging of computer hard drives is an expensive process, and adds to the burden of litigation for both parties, as an examination of a hard drive by an expert automatically triggers the retention of an expert by the responding party for the same purpose. Furthermore, as noted above, imaging a hard drive results in the production of massive amounts of irrelevant, and perhaps privileged, information. Courts faced with this inevitable prospect often erect complicated protocols to screen out material that should not be part of discovery. See, e.g., *Playboy Enters.*, 60 F.Supp.2d 1050, 1054 (S.D.Cal.1999) (appointing court's expert to conduct examination). Again, this adds to the expense and complexity of the case. . . .

Plaintiff in this case requests intrusive examination of its opponent's computer systems on the mere suspicion, based solely on the nature of the claims asserted, that defendant may be withholding discoverable information. Plaintiff's speculation is, in the view of this Court, entirely insufficient. Plaintiff's few allegations of misconduct, which are adequately explained by defendant, simply do not justify Court-mandated access to defendant's information storage systems. Cf., e.g., *Playboy Enters.*, 60 F.Supp.2d at 1054 (allowing access to party's computer system on a finding of systematic deletion of relevant e-mails

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locate them, thus rendering the production of the documents an excessively burdensome and costly expedition.").

<sup>17</sup> *Oklahoma*, 2007 WL 1498973 at \*4.

<sup>18</sup> *Williams v. Sprint/United Management Co.*, 230 F.R.D. 640 (D. Kan. 2005).

<sup>19</sup> The FED. R. CIV. P. 34 Advisory Committee's Note on 2006 Amendments.

<sup>20</sup> *The Scotts Co., LLC v. Liberty Mutual Insurance Co.*, 2007 WL 1723509, \*2 (S.D. Ohio)

after litigation had commenced). See, e.g., *Williams v. Mass. Mut. Life Ins. Co.*, 226 F.R.D. 144, 146 (D.Mass.2005) (denying motion to appoint computer forensic expert because moving party failed to present any "credible evidence that Defendants are unwilling to produce computer-generated documents"); *Bethea v. Comcast*, 218 F.R.D. 328, 329-30 (D.D.C.2003) (denying motion to compel because, "[i]n the context of computer systems and computer records, inspection or seizure is not permitted unless the moving party can demonstrate that the documents they seek to compel do, in fact, exist and are being unlawfully withheld"); *Simon Prop. Group L.P. v. Simon, Inc.*, 194 F.R.D. 639, 641 (S.D.Ind.2000) (allowing plaintiff to inspect defendant's computer system because plaintiff demonstrated "troubling discrepancies with respect to defendant's document production"); *Ameriwood Indus. Inc. v. Liberman*, Case No. 4:06CV524-DJS, 2006 WL 3825291, \*1 (E.D.Mo. Dec.27, 2006) (unpublished) (granting motion to compel imaging of defendant's hard drive because the court had "cause to question whether defendants have produced all responsive documents"); *Balboa Threadworks, Inc. v. Stucky*, Case No. 05-1157-JTM-DWB, 2006 WL 763668, at \*4 (D.Kan. Mar.24, 2006) (unpublished) (permitting imaging of defendants' computer where defendants' representation that no responsive materials existed on computer was contradicted by their production of e-mail created on that computer)."<sup>21</sup>

As with traditional discovery, the requesting party bears the burden of proof that the request is reasonable, narrowly tailored to the information needed, and that the requesting party has reason to believe such information exists as part of the producing party's ESI. The Southern District of New York in the first of the five *Zubulake* decisions held that cost-shifting for the production of discovery may be appropriate when the information sought is inaccessible.<sup>22</sup> "It is worth emphasizing again that cost-shifting is potentially appropriate only when inaccessible data is sought. When a discovery request seeks accessible data—for example, active on-line or near-line data—it is typically inappropriate to consider cost-shifting."<sup>23</sup>

## Privilege Issues

"Discovery may not be obtained regarding matters which are privileged. See FED.R.CIV.P. 26(b)(1). Thus, if a discovery privilege exists, information may be withheld, even if relevant to the case. See *Baldridge v. Shapiro*, 455 U.S. 345, 102 S.Ct. 1103, 71 L.Ed.2d 199 (1982). The question of privilege is determined by reference to the Federal Rules of Evidence. See *Campbell v. Gerrans*, 592 F.2d 1054 (9th Cir.1979). Generally, questions of privilege "... shall be governed by the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience." FED.R.EVID. 501. However, in civil actions which do not raise a federal question, the question of privilege is determined by state law. See FED.R.EVID. 501. But, "when state privilege law is consistent, or at least compatible with, federal privilege law,

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<sup>21</sup> *The Scotts Co.*, 2007 WL 1723509 at \*2.

<sup>22</sup> See *Zubulake v. UBS Warburg LLC* ("*Zubulake I*"), 217 F.R.D. at 323, 2003 WL 21087884, at \*12 ("A court should consider cost-shifting only when electronic data is relatively inaccessible, such as in backup tapes.") (emphasis in original).

<sup>23</sup> *Zubulake v. UBS Warburg LLC* ("*Zubulake II*"), 216 F.R.D. 280 (S.D.N.Y. 2003).

the two shall be read together in order to accommodate the legitimate expectations of the state's citizens."<sup>24</sup>

"The attorney-client privilege is properly invoked where:

- (1) the asserted holder of the privilege is or sought to become a client;
- (2) the person to whom the communication was made
  - a) is a member of the bar of a court [and] ...
  - (b) in connection with this communication is acting as a lawyer;
- (3) the communication relates to a fact of which the attorney was informed
  - (a) by his client
  - (b) without the presence of strangers
  - (c) for the purpose of securing primarily either
    - (i) an opinion on law or
    - (ii) legal services or
    - (iii) assistance in some legal proceeding [and] ...
- (4) the privilege has been
  - (a) claimed and
  - (b) not waived by the client."<sup>25</sup>

When a party invokes the attorney-client privilege by providing a privilege log, "the description of each document and its contents must be sufficiently detailed to allow the court to determine whether the elements of attorney-client privilege ... have been established."<sup>26</sup>

"The work product doctrine, codified for the United States Court of Federal Claims in RCFC 26(b)(3), is intended to preserve a zone of privacy in which a lawyer can prepare and develop legal strategy 'with an eye toward litigation,' free from unnecessary intrusion by adversaries."<sup>27</sup> It is not, however, intended to protect from general discovery materials prepared in the ordinary course of business such as factual investigations prepared by insurance companies.<sup>28</sup>

"As a general rule, the voluntary production of a privileged document waives any claim of privilege with respect to that document."<sup>29</sup> However, the inadvertent production of privileged documents does not waive privilege unless the producing party's conduct was "so careless as to suggest that it was not concerned with the protection of the asserted

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<sup>24</sup> *Gaston v. Caden*, 2007 WL 2727142 (E.D.Cal. 2007) (citing *Pagano v. Oroville Hospital*, 145 F.R.D. 683, 687 (E.D.Cal.1993)).

<sup>25</sup> *Pac. Gas & Elec. Co. v. United States*, 69 Fed.Cl. 784, 810 (2006) (*PG & E I*) (alterations in original) (citing *First Fed. Sav. Bank of Hegewisch v. United States*, 55 Fed.Cl. 263, 266 (2003) (*First Federal*) (citation omitted)).

<sup>26</sup> *SmithKline Beecham Corp. v. Apotex Corp.*, 232 F.R.D. 467, 475 (E.D.Pa.2005) (*SmithKline*) (alteration in original) (citation omitted).

<sup>27</sup> *Deseret Management Corp. v. U.S.*, 76 Fed.Cl. 88 (Fed.Cl. 2007) (footnote omitted) (citing *Hickman v. Taylor*, 329 U.S. 495, 510-11, 67 S.Ct. 385, 91 L.Ed. 451 (1947)).

<sup>28</sup> *Centrale Citrus Juices USA, Inc. v. Zurich Am. Ins. Group*, 2004 WL 5215191 \*2 (M.D.Fla. September 10, 2004) (citing *Pete Rinaldi's Fast Foods, Inc. v. Great Am. Ins. Co.*, 123 F.R.D. 198, 202 (M.D.N.C.1988)).

<sup>29</sup> *United States v. Rigas*, 281 F.Supp.2d 733, 737 (S.D.N.Y.2003).

privilege.”<sup>30</sup> Inadvertent disclosure of privileged communications, require the Court to assess the reasonableness of precautions taken to preserve the privilege.<sup>31</sup>

Courts routinely engage in a four-factor balancing test, in which no single factor is dispositive, to determine whether the inadvertent production of privileged documents waives privilege. The four factors are:

- (1) the reasonableness of precautions taken to prevent inadvertent disclosure;
- (2) the time taken to rectify the error;
- (3) the extent of disclosure relative to the scope of discovery; and
- (4) overreaching issues of fairness.<sup>32</sup>

The *Amgen* court modified this waiver assessment under a five factor test:

- (1) the reasonableness of the precautions taken to prevent inadvertent disclosure,
- (2) the amount of time it took the producing party to recognize its error,
- (3) the scope of the production,
- (4) the extent of the inadvertent disclosure, and
- (5) the overriding interest of fairness and justice.<sup>33</sup>

As before the amendment of the FED.R.CIV.P., a claim of privilege may be challenged under a crime-fraud exception. The Third Circuit recently upheld a district court’s ruling to compel production of documents withheld under the attorney-client privilege due to the crime-fraud exception rule.<sup>34</sup>

A court may compel the production of discovery otherwise properly withheld on a claim of privilege. However, the court must still take into consideration the FED.R.CIV.P. caveat under Rule 26(b)(3) that “[i]n ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.”

A writ of mandamus may be requested to overrule an order to compel otherwise privileged information, however:

“Ordinarily, pretrial discovery orders involving a claim of privilege are unreviewable on interlocutory appeal, “and we have expressed reluctance to circumvent this salutary rule by use of mandamus.” *In re W.R. Grace & Co.*, 984 F.2d 587, 589 (2d Cir.1993). At the same time, the writ is appropriate to review discovery orders that potentially invade a privilege, where: (A) the petition raises an important issue of first impression; (B) the privilege will be lost if review must

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<sup>30</sup> *Atronic Int'l, GMBH v. SAI Semispecialists of Am., Inc.*, 239 F.R.D. 160, 163 (E.D.N.Y.2005) (citing *SEC v. Cassano*, 189 F.R.D. 83, 85 (S.D.N.Y.1999).

<sup>31</sup> See, *In the Matter of the Reorganization of Elec. Mut. Liab. Ins. Co. Ltd (Bermuda)*, 425 Mass. 419, 422, 681 N.E.2d 838, 841 (Mass.1997); *Abamar Housing & Dev. v. Lisa Daly Lady Decor, Inc.*, 698 So.2d 276, 278-79 (Fla.3d App. Dist.1997).

<sup>32</sup> *Lois Sportswear v. Levi Strauss & Co.*, 104 F.R.D. 103, 105 (S.D.N.Y.1985); see also *Rigas*, 281 F.Supp.2d at 738 (S.D.N.Y.2003).

<sup>33</sup> *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 190 F.R.D. 287, 291 (D.Mass.2000).

<sup>34</sup> *Newman v. General Motors Corp.*, 228 Fed.Appx. 245 (3rd Cir. 2007).

await final judgment; and (C) immediate resolution will avoid the development of discovery practices or doctrine that undermine the privilege. *Chase Manhattan Bank, N.A. v. Turner & Newall PLC*, 964 F.2d 159, 163 (2d Cir.1992); *In re Long Island Lighting Co.*, 129 F.3d 268, 270 (2d Cir.1997). (Although the County argues that any single showing is enough, the test sprouts three prongs; in any event, the County prevails on all three.)<sup>35</sup>

## Imposition of Sanctions

The intent of the modified rules for discovery was that the parties would work out amongst themselves the basic issues with regards to production of relevant discovery. As always, the courts still have the final word on discovery issues which cannot be worked out and to the extent a party fails to produce discovery as required under the FED. R. CIV. P., courts may also impose sanctions. Courts generally allow for pretty broad leeway in the production of discovery. When a producing party produces ESI, the courts may require that such production include technical assistance as necessary to make the information useable for the discovery purposes.

In the *In re Seroquel* case, the parties had agreed to the production of ESI which included: "electronic documents being produced with searchable load files, bates-stamped TIFF's and various metadata fields."<sup>36</sup> Four months after a case management order had been finalized, the requesting party (plaintiffs) filed a motion to compel the production of the discovery identified in the case management order. The court elected not to compel discovery, but rather denied the motion without prejudice "to allow the parties time to confer 'in good faith and *in extenso*' on the issues described in the Motion to Compel; . . . [and] alerting the parties:

**ANY PARTY WHOSE CONDUCT NECESSITATES THE EVIDENTIARY HEARING SHOULD EXPECT THE IMPOSITION OF SANCTIONS FOR ANY UNREASONABLE OR INAPPROPRIATE CONDUCT OR POSITION TAKEN WITH RESPECT TO THESE MATTERS.**<sup>37</sup>

After failure to produce or respond to discovery issues identified directly to the defendant, plaintiffs brought a motion for sanctions. In deciding to award sanctions, the court reviewed the standards for electronic discovery in complex litigation.<sup>38</sup> The court noted that "[a]s businesses increasingly rely on electronic record keeping, the number of potential discoverable documents has skyrocketed and so also has the potential for discovery abuse."<sup>39</sup> In particular, the court acknowledged that Rule 37 sanctions should require that the party upon which such sanctions may be imposed be aware of such a possibility, typically through a motion to compel.

"[O]n its face, [Rule 37] does not require that a court formally issue an order compelling discovery before sanctions are authorized.... [T]he absence of either a motion to compel filed by the government or an order of the court compelling

<sup>35</sup> *In re County of Erie*, 473 F.3d 413, 416-417 (2nd Cir. 2007).

<sup>36</sup> *In re Seroquel Products Liability Litigation*, --- F.Supp.2d ----, 2007 WL 2412946, \*2 (M.D.Fla. 2007).

<sup>37</sup> *In re Seroquel*, 2007 WL 2412946 at \*3 (capitals and bold in the original).

<sup>38</sup> *Id.*; see also *supra* on ESI Production in Complex Litigation.

<sup>39</sup> *Id.*

discovery, the violation of which might implicate Rule 37, rendered inappropriate the imposition of the types of sanctions levied here" [i.e., default judgment]."<sup>40</sup>

The court, however, "may also impose sanctions based on its inherent power to manage its docket and its cases. *In re Mroz*, 65 F.3d 1567, 1575 (11th Cir.1995) (quoting *Chambers v. NASCO, Inc.*, 501 U.S. 32, 46, 111 S.Ct. 2123, 115 L.Ed.2d 27 (1991)); *Residential Funding Corp. v. DeGeorge Fin. Corp.*, 306 F.3d 99, 106-07 (2d Cir.2002) (court's has the "inherent power to manage its own affairs" via sanctions)."<sup>41</sup> In such an instance, however, "[a] finding of bad faith, however, is required to impose sanctions based on the Court's inherent powers. *In re Mroz*, 65 F.3d at 1575."<sup>42</sup> The court concluded the defendant had been "purposely sluggish" in responding to discovery requests.

The "sluggish" production may be deemed unreasonable delay subject to sanctions:

"Prejudice from unreasonable delay is presumed. *In re Eisen*, 31 F.3d at 1452-53. Failure to produce documents as ordered is sufficient prejudice, whether or not there is belated compliance. *Id.* at 1453 (taking action after the defendant's motion to dismiss was pending does not excuse taking no action before); *Payne v. Exxon Corp.*, 121 F.3d 503, 508 (9th Cir.1997) (noting that last-minute tender of documents does not cure prejudice or restore other litigants on a crowded docket to the opportunity to use the courts); see also *Adriana*, 913 F.2d at 1413 n. 6 (recognizing that refusal to produce evidence presumptively shows that an asserted claim or defense is meritless). The risk of prejudice is exacerbated where each delay potentially affects the discovery and remand schedule in hundreds of other cases."<sup>43</sup>

The production of ESI in electronic form is acceptable, even when it is not identical to the version "kept in the ordinary course of business" where the ESI is searchable and therefore responsive to a Rule 34 production.<sup>44</sup> As in the *In re Seroquel* case, the *De Technologies* court had to consider whether to impose sanctions for the failure to produce 57 documents. The *De Technologies* court reviewed first whether a prior motion to compel had been filed, and concluded that where it had not preceded the motion for sanctions, sanctions were not appropriate:

"As the United States Court of Appeals for the Fourth Circuit has noted, "Rule 37(b) sanctions apply only to violations of a court order to permit or provide discovery, or one in regard to a discovery conference." *Buffington v. Baltimore County*, 913 F.2d 113, 133 n. 15 (4th Cir.1990). Furthermore, a motion to compel is a more appropriate reaction when a party is dissatisfied with a discovery response. *Hartz and Co. v. Prod. Control Info. (PCI) Ltd.*, 1995 U.S.App. Lexis 32063 (4th Cir.1995) (citing *Buffington*, 913 F.2d at 133)."

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<sup>40</sup> *United States v. Certain Real Property Located at Route 1*, 126 F.3d 1314, 1317 (11th Cir.1997).

<sup>41</sup> *In re Seroquel*, at \*7.

<sup>42</sup> *Id.*

<sup>43</sup> *In re Phenylpropanolamine (PPA) Products Liability Litigation*, 460 F.3d 1217, 1236-37 (9th Cir.2006).

<sup>44</sup> *De Technologies, Inc. v. Dell, Inc.*, 2007 WL 128966, \*2 (W.D.Va.)

Several cases have imposed heavy sanctions on parties failing to produce discovery as required under the FED.R.CIV.P.<sup>45</sup> One such case, *Qualcomm Inc. v. Broadcom Corp.*, resulted in the court awarding “all reasonable attorneys' fees, court costs, expert witness fees, travel expenses, and any other litigation costs reasonably incurred by Broadcom in litigating the present Action.”<sup>46</sup> According to news reports, “Qualcomm already has been fined \$8.5 million and ordered to pay Broadcom's attorney fees.”<sup>47</sup>

## Admissibility of ESI

Despite the years of debate and rulings dealing with ESI prior to the 2006 amendments, “[v]ery little has been written, however, about what is required to insure that ESI obtained during discovery is admissible into evidence at trial, or whether it constitutes ‘such facts as would be admissible in evidence’ for use in summary judgment practice. Fed.R.Civ.P. 56(e).”<sup>48</sup> As the court noted in *Lorraine*, “[t]his is unfortunate, because considering the significant costs associated with discovery of ESI, it makes little sense to go to all the bother and expense to get electronic information only to have it excluded from evidence or rejected from consideration during summary judgment because the proponent cannot lay a sufficient foundation to get it admitted. The process is complicated by the fact that ESI comes in multiple evidentiary ‘flavors,’ including e-mail, website ESI, internet postings, digital photographs, and computer-generated documents and data files.”<sup>49</sup>

In particular, the *Lorraine* court laid out the steps for admissibility of ESI:

“Whether ESI is admissible into evidence is determined by a collection of evidence rules that present themselves like a series of hurdles to be cleared by the proponent of the evidence. Failure to clear any of these evidentiary hurdles means that the evidence will not be admissible.

Whenever ESI is offered as evidence, either at trial or in summary judgment, the following evidence rules must be considered:

- (1) is the ESI relevant as determined by Rule 401 (does it have any tendency to make some fact that is of consequence to the litigation more or less probable than it otherwise would be);
- (2) if relevant under 401, is it authentic as required by Rule 901(a) (can the proponent show that the ESI is what it purports to be);
- (3) if the ESI is offered for its substantive truth, is it hearsay as defined by Rule 801, and if so, is it covered by an applicable exception (Rules 803, 804 and 807);
- (4) is the form of the ESI that is being offered as evidence an original or duplicate under the original writing rule, or if not, is there admissible secondary evidence to prove the content of the ESI (Rules 1001- 1008); and

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<sup>45</sup> *Zubulake v. UBS Warburg*, 216 F.R.D. 280 (S.D.N.Y. 2003) (imposing a ; *Coleman (Parent) Holdings, Inc., v. Morgan Stanley & Co., Inc.*, 2005 WL 4947328 (Trial Order) (Fla.Cir.Ct. Mar 01, 2005) (imposing an adverse inference for failure to produce emails which the producing party had been order to produce.)

<sup>46</sup> *Qualcomm Inc. v. Broadcom Corp.*, 2007 WL 2261799 (S.D.Cal. 2007).

<sup>47</sup> Newsfactor.com's *Qualcomm Lawyers Face Sanctions*, dated October 15, 2007 7:43AM; found at [http://www.newsfactor.com/story.xhtml?story\\_id=55986](http://www.newsfactor.com/story.xhtml?story_id=55986).

<sup>48</sup> *Lorraine v. Markel American Ins. Co.*, 241 F.R.D. 534, 537-538 (D.Md. 2007).

<sup>49</sup> *Id.* at 538.

(5) is the probative value of the ESI substantially outweighed by the danger of unfair prejudice or one of the other factors identified by Rule 403, such that it should be excluded despite its relevance.

Preliminarily, the process by which the admissibility of ESI is determined is governed by Rule 104, which addresses the relationship between the judge and the jury with regard to preliminary fact finding associated with the admissibility of evidence. Because Rule 104 governs the very process of determining admissibility of ESI, it must be considered first.<sup>50</sup>

The *Lorraine* court continue its detailed assessment of admissibility of ESI by recognizing that courts realize “that authentication of ESI may require greater scrutiny than that required for the authentication of “hard copy” documents, they have been quick to reject calls to abandon the existing rules of evidence when doing so.”<sup>51</sup> See also *In re F.P.*, 878 A.2d 91, 95 (Pa.Super.Ct.2005) (“Essentially, appellant would have us create a whole new body of law just to deal with e-mails or instant messages.... We believe that e-mail messages and similar forms of electronic communications can be properly authenticated within the existing framework of [the state rules of evidence].”).

## **Conclusion**

The recognition of ESI issues in the modified Federal Rules of Civil Procedure do not resolve all discovery issues related with ESI. The FED. R. CIV. P. Rules 26 and 34 were amended to ensure that ESI and its complex issues were discussed between the parties early in the litigation at the Rule 26(f) conference. Each court may establish its own local rules addressing ESI, but the key consideration is that the information be preserved and ultimately produced where feasible in a manner consistent with the intent of permitting the receiving party to reasonably use such produced ESI.

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<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 542-543.