

DISCOVERY ISSUES IN
PATENT LITIGATION:
MAKING THE MOST OF
THE FEDERAL RULES

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Discovery Issues in Patent Litigation: Making the Most of the Federal Rules

Try to imagine patent litigation without discovery.

For most of us such a thing is hard to conceive. Aside from the rare case in which a court grants a temporary restraining order or preliminary injunction request based only on the moving papers, U.S. courts simply do not grant relief for patent infringement without first allowing some discovery. Practitioners outside the U.S. may question whether discovery is really necessary, but that point is seldom debated in the U.S. Rather, the ongoing debate in U.S. federal practice revolves around how to make the discovery process maximally efficient without sacrificing its very purpose – the *discovery* of evidence. After all, the great struggle in every patent litigation is balancing the fact that discovery is by far the most expensive part of the process with the fact that the vast majority of cases settle during the course of discovery, as a result of facts revealed through discovery.

Reasoned debate has yielded the Federal Rules of Civil Procedure, an ever-evolving set of rules governing discovery (and all other procedure) in the U.S. district courts.

Supplementing the rules is an enormous body of case law

interpreting and applying the Federal Rules, as well as other procedural rules and concepts. The existence of the Federal Rules will not be news to any reader of this article. Yet many of the rules are underutilized or neglected entirely, particularly in evolving areas such as electronic (e-) discovery. Many practitioners, moreover, take a formulaic approach to discovery that saves expense in the short run but ultimately leads to inefficiency and exposes them to a plethora of dangers that advance planning and adherence to the prescriptions of the Federal Rules would otherwise eradicate. The purpose of this article is first to propose alternatives to certain inefficient discovery practices, and second to cast new light on various procedural rules and principles that practitioners can employ to enhance the effectiveness and efficiency of discovery.

Plan Ahead Whenever Possible

Begin Discovery Efforts Pre-Suit, or Pre-Answer

"Plan ahead" is one of a number of truisms that will appear in the course of this article. While it might seem like pointing out the obvious, early preparation for discovery simply is

not the norm. For plaintiffs there are often business pressures that require a case to be filed urgently, in which case discovery preparation goes by the wayside. For defendants a lawsuit often comes as a complete surprise, in which case resources are devoted to evaluating the substance of the allegations and discovery preparation again goes by the wayside. But more often than either of these eventualities, discovery preparation is consciously delayed to avoid unnecessary expense in the event the case quickly settles. This latter circumstance can and should be avoided. Having a case settle early after some wasted effort on discovery preparation is far better than finding oneself scrambling to take or respond to discovery.

When filing or anticipating the receipt of a complaint, counsel would be well advised to discuss the human and financial costs of discovery with their clients. Early, frank discussion is likely to sidestep any tensions and apprise the client of the possible consequences of discovery. Counsel should also think critically about the need for a discovery vendor from the onset of litigation, both to avoid internal disruptions and to avoid potential claims of bias.

Where feasible, start your preparation for discovery by talking with your client's in-house Information Technology (IT) and records managers. Become familiar with your client's document retention and destruction policies, their active (and inactive, or legacy) computer systems, and the storage media for their archived data. Put the in-house counsel and the IT manager in touch to streamline communications about technical problems. Discussing these issues ahead of time will allow your client's IT department to do the research necessary to streamline discovery by formulating better document searches, getting rid of duplicate documents, and setting internal quality control parameters.

After this discussion, it is best to collect and review key documents from your client's files. Not only will this expedite the case, but it may also reveal crucial evidence at a point in the case when theories and arguments can be adjusted to account for it. It is also worth thinking about your client's documents from your opponent's perspective. Finding and reading the documents that your opponent is likely to request should apprise you of your weaknesses and, where relevant, help you formulate a complaint that anticipates certain defenses.

Particularly when ESI is prevalent, outside counsel would be well advised to use discovery tools to narrow and focus the scope of discovery. The Federal Rules now require that initial disclosures include descriptions (by category and location) of all ESI.¹ More directed tools include interrogatories² and “quick peeks,” where both parties take a limited glance at their opponent's information systems to identify relevant document troves.³

In addition to tending to one's own discovery materials, litigants should give early consideration to alternate sources of discovery. Oftentimes there are multiple entities that could be named as defendants (or counterclaim defendants) in a case, but are not essential to maintaining a cause of action. The need for discovery from these parties may make the difference

¹ Fed. R. Civ. P. 26(a)(1)(A)(ii) (“a party must, without awaiting a discovery request, provide to the other parties...a copy--or a description by category and location--of all...electrically stored information...”).

² See, e.g., *U.S. v. Pers. Computer Ctr., Inc.*, No. 90-2220-S, 1991 U.S. Dist. LEXIS 16131, at *2-3 (D. Kan. Oct. 29, 1991) (defendant's response to interrogatory not specific enough to allow plaintiff to readily identify documents); see also *Laufman v. Oakley Bldg. & Loan Co.*, 72 F.R.D. 116, 123 (S.D. Ohio 1976) (interrogatories contained questions regarding types of equipment and storage and retention procedures).

³ Fed. R. Civ. P. 26(f) advisory committee's note of 2006 (discussing negotiated “quick peeks”).

between including them in a suit or not. This can be particularly important when overseas entities are involved. Litigants should not assume that they will be entitled to discovery from an overseas parent company, even when the opposing party is wholly owned by that entity.⁴

To the extent possible, consider retaining expert witnesses at the pleadings stage in a case. Doing so ensures that you will beat your opponent to your expert of choice. More importantly, engaging experts early allows you to rely on their insights to formulate case strategy and to focus discovery. Early engagement of experts, however, is not without its pitfalls. If you intend to present an expert for testimony in your case, proceed on the assumption that any communications with that expert, either orally or in writing, will be subject to discovery.⁵ In addition,

⁴ See *Norex Petrol. Ltd. v. Chubbs Ins. Co. of Can.*, 384 F. Supp. 2d 45, 57 (D.D.C. 2005) (holding that "The facts of this case militate against ordering that the requested documents, which are held abroad by a foreign parent company, be produced by BP America, an American subsidiary," and underscoring the fact that plaintiff failed to show that "BP America has possession, custody or control of the documents at issue," as required by Fed. R. Civ. P. 45(a)).

⁵ See *Tpk. Ford, Inc. v. Ford Motor Co.*, 244 F.R.D. 332, 334 (S.D. W. Va. 2007) (noting in particular that "oral communications between the [party], [party's] expert and [party's] counsel were subject to
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disclosures to experts that become subject to discovery may result in a waiver of privilege or work product protection.⁶ Non-testifying or consulting experts enjoy greater protection from discovery, but are still not immune.⁷ Proper designation of experts as "testifying" or "non-testifying" is essential from the outset because privilege will likely be waived regardless of whether the "testifying" expert ultimately testifies.⁸

The Litigation Hold

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production," in addition to all other information conveyed to the testifying expert).

⁶ See *CP Kelco U.S. Inc. v. Pharmacia Corp.*, 213 F.R.D. 176, 179 (D. Del. 2003) (finding that a party may not use "privilege to shield information which it had deliberately chosen to use offensively . . . to arm its expert for testimony," and emphasizing "the truism that a privilege cannot be used as both a shield and a sword.").

⁷ See Fed. R. Civ. P. 26(b)(4)(B) ("Ordinarily, a party may not, by interrogatories or deposition, discover facts known or opinions held by an expert who has been retained or specially employed by another party in anticipation of litigation or to prepare for trial and who is not expected to be called as a witness at trial.").

⁸ See *CP Kelco*, 213 F.R.D. at 179 (holding that parties are not "free to invoke an already waived privilege simply by changing the designation of an expert from 'testifying' to 'non-testifying.'"). *But see Green v. Nygaard*, 213 Ariz. 460, 465-66 (Ariz. App. Div. 2006) (finding that, where state law does not make waiver of privilege necessarily irrevocable and where the subject matter on which the expert who is now withdrawn as a witness previously testified is no longer at issue, the expert may revoke his waiver following his withdrawal as a witness and reinstate his privilege).

E-discovery in particular imposes distinct obligations on both client and counsel to preserve documents in anticipation of the litigation (commonly termed the “litigation hold”).⁹ This affirmative duty to preserve all electronically stored information (ESI) strikes at the heart of the discovery rules because it attempts to avoid the destruction of relevant information. The duty to preserve is implicated when a party is aware that evidence in their control or possession is relevant to a litigation or potential litigation.^{10,11}

⁹ See, e.g., *Nat'l Ass'n of Radiation Survivors v. Turnage*, 115 F.R.D. 543, 557-8 (N.D. Cal. 1987) (“The obligation to retain [documents] is an affirmative one” for “employees in possession of discoverable materials.”); Nat'l Amer. Bar Ass'n, *Civil Discovery Standards*, R. 10 (2004); see also *Meeks v. Parsons*, 2009 WL 3003718, at *4-5 (E.D. Cal. 2009) (construing *Nat'l Ass'n of Radiation Survivors* as requiring, at minimum, proof of a reasonable procedure for systematic compliance with a document request, as well as declarations attesting to the details of the destruction of documents from those officers or employees who carried out any purges) (citing *Nat'l Ass'n of Radiation Survivors*, 115 F.R.D. at 543, 546-47, 552, 556).

¹⁰ *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212, 216 (S.D.N.Y. 2003); see also *Goodman v. Praxair Services, Inc.*, 632 F. Supp. 2d 494, 510-11 (D. Md., 2009) (finding that a party may not necessarily reasonably anticipate litigation at the “mere existence of a dispute,” and so the duty to preserve evidence first attached to the spoliating party here upon its receipt of a letter threatening litigation); *In re Kmart Corp.*, 371 B.R. 823, 844 (N.D. Ill. 2007) (finding that the duty to preserve attaches to an entity such as Kmart only at the point at which almost every employee dealing with the opposing party
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Litigation hold obligations begin with outside counsel, who have a duty to advise their clients of the duty to preserve. This obligation is best met by a “hold letter” detailing an over-inclusive document retention policy, apprising all relevant parties (e.g.: IT, human resources, in-house counsel, and potential target employees) of the litigation and explaining the consequences of destroying relevant evidence.¹² Best practices may include sending reminder letters to the relevant personnel quarterly.

While a client is not obligated to preserve every draft and edit of every document, the duty to preserve remains a broad one.¹³ Indeed, a client must suspend all routine e-mail and

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believes that litigation is likely).

¹¹ Note that third parties will not have the same document preservation obligations that apply to parties. Thus, delaying third party discovery for any meaningful period of time means risking that key documentation will be innocently destroyed by the third party.

¹² See *Danis v. USN Commc'n., Inc.*, No. 98-C-7482, 2000 U.S. Dist. LEXIS 16900, at *42 (N.D. Ill. Oct. 20, 2000) (no written instructions to employees advising them of the litigation or the duty to preserve evidence).

¹³ See Nat'l Amer. Bar Ass'n, *Civil Discovery Standards*, R. 29(b)(iv)(P) (2004) (duty to preserve all ESI); *McGuire v. AcuFex Microsurgical, Inc.*, 175 F.R.D. 149, 156 (D. Mass. 1997) (discussing the impossibility of retaining every edit and draft of a document).

file destruction processes.¹⁴ Ultimately, document preservation remains the client's responsibility.

If it becomes apparent that discovery is immediately necessary, or if there are legitimate suspicions regarding the integrity of document preservation, several options become available. Counsel can request expedited discovery before the Rule 26(f) conference.¹⁵ Or, in certain extreme circumstances, the claiming party may request *ex parte* seizure.¹⁶

¹⁴ *Zubulake*, 220 F.R.D. 212, 218 (S.D.N.Y. 2003). *But see id.* (noting that backup tapes, if not reasonably accessible, can be recycled on their normal schedule).

¹⁵ *Antioch Co. v. Scrapbook Borders, Inc.*, 210 F.R.D. 645, 651 (D. Minn. 2002) (expediting discovery on the risk of even *inadvertent* deletion of relevant evidence).

¹⁶ 7 John K. Rabiej, *Moore's Federal Practice and Procedure* § 37A.26 (3d ed. 2009) (adapting Fed. R. Civ. P. 65 to create three elements for an *ex parte* seizure claim: (1) the seizure must be to prevent imminent destruction of evidence, (2) the potentially lost evidence must be relevant, and (3) there must not be any less intrusive means of obtaining the information); *see First Tech. Safety Sys., Inc. v. Depinet*, 11 F.3d 641, 651 (6th Cir. 1993) (pushing for a less drastic remedy and implying that *ex parte* seizure is an extreme remedy); *see also Adobe Systems, Inc. v. South Sun Products, Inc.*, 187 F.R.D. 636 (requiring that the party requesting *ex parte* seizure show that the opposing party has the opportunity to destroy evidence *and* that it will actually do so).

Make the Most of the Rule 26(f) Conference

Federal Rule of Civil Procedure 26(f) requires parties to meet and confer regarding the following issues, in preparation for a report to and/or initial status conference with the court pursuant to Rule 16(b):

- Nature and basis for claims and defenses,
- Potential for speedy settlement,
- Plans to exchange Initial Disclosures,
- Procedures to preserve and produce discoverable information, especially ESI,
- The time period for production,
- The sources of information, especially ESI, and the forms in which such information will be produced,
- Any potential disputes over the authenticity of documents,
- Potential "quick peeks,"
- Procedures for asserting privilege, circumstances surrounding waiver of privilege, and any "claw back" agreements,
- Length and breadth of discovery, and

- Any other discovery problems that become apparent.¹⁷

Counsel should enter the Rule 26(f) Conference with a working knowledge of their client's records, preservation systems, and information technologies. If necessary, an IT expert should be brought to the Conference so that appropriate discussions regarding document formats, difficulty of recovery, cost considerations for data mining, and the timetable for discovery can be undertaken.

The Rule 26(f) conference is an excellent opportunity to get a feel for your opponent and the nature of their case. It is also a valuable opportunity to preempt disputes that may arise later in the case. In cases where e-discovery is particularly important, Counsel should negotiate a two-tiered discovery process for accessible and presumably inaccessible data. Allowing discovery from accessible sources first helps avoid extra costs and allows for an informed decision as to whether information from inaccessible sources may be relevant. Likewise, the parties should

¹⁷ See Fed. R. Civ. P. 26(f)(2)-(3); *In re Bristol-Myers Squibb Sec. Litig.*, 205 F.R.D. 437, 444 (D.N.J. 2002) (recognizing the need to discuss e-discovery issues in this "electronic age").

attempt to agree to avoid obfuscatory tactics, which can be particularly costly in the e-discovery context.¹⁸

Together with basic scheduling issues, litigants should confer regarding modifications to the rules or supplemental agreements to manage discovery. For example, be sure to address the sequence of expert discovery, claim construction, and dispositive motions, as the interplay of these events can be critical. In jurisdictions where there are no special local rules governing patent cases, give thought to whether it would be beneficial to agree with the opposing party to abide by such rules. Opinions vary among practitioners on whether "patent local rules" are beneficial, but courts increasingly favor the use of such rules. Thus, even if your opponent does not wish to abide by the rules, you should consider advocating their use in your report to the court. Parties should also consider limitations on discovery as well as bifurcation of issues for separate trial, or even for separate discovery. For example, the court may be amenable to bifurcating issues involving antitrust counterclaims until after issues of patent

¹⁸ One established set of principles is the Sedona Conference Cooperation Proclamation (warning lawyers not to confuse advocacy and adversarial conduct in the discovery context) (July 2008).

infringement, validity and enforceability have been tried.¹⁹ Finally, parties should confer on the timing of various events such as exchange of privilege logs, decision on whether the defendant will rely on advice of counsel, exchange of initial disclosures, and a deadline for submission of an agreed protective order (or initiation of motion practice in the absence of agreement).

Tailor Discovery Documents to Fit the Case

Focused Discovery Requests

There is a natural inclination to contain discovery costs by "recycling" discovery requests from prior cases, doing little more than changing the captions and the defined terms. Practitioners also tend to keep their requests broad so as to avoid revealing their strategy or thought process through focused discovery. Resist the urge to use boilerplate document requests and interrogatories. There is certainly merit to serving generic

¹⁹ *But see Celgene Corp. v. Barr Labs., Inc.*, No. 07-CV-286, 2008 WL 2447354, at *1-3 (D. N.J. June 13, 2008) (denying Celgene's motion to bifurcate and stay discovery of Barr's antitrust and unfair competition counterclaims because Barr's claim is based on inequitable conduct, an equitable claim based on the doctrine of unclean hands, and resolution of an equitable claim should not precede resolution of a legal claim).

discovery requests in every case, *e.g.* "all documents and things relating to conception of the inventions claimed in the patent-in-suit." Such requests put the opposing party on notice of what you believe is the scope of discoverable subject matter, and position you for motion practice later in the case if you learn that material falling within these categories has not been produced. But relying strictly on generic boilerplate requests can lead to problems.

Broad discovery requests vest too much discretion in the opposing party to make judgment calls about what is and is not properly discoverable, and to object based on overbreadth, vagueness or undue burden. It then becomes more likely that material you consider important, but which the other side may in good conscience conclude is not properly called for, is not produced or is revealed only late in discovery. Invest the time to include narrow, focused discovery requests at the outset of your case, together with the broad boilerplate requests. Alternatively, begin with a boilerplate set of requests, and promptly follow up with more focused requests after you have reviewed the initial responses and identified perceived deficiencies. Under no circumstances should you wait until the end of discovery, or even until you are taking depositions, to request production of pertinent

documents you believe exist.²⁰ Moreover, be aggressive in seeking substantive responses to contention interrogatories (where permitted). Most courts that have been presented with the issue have come down on the side of ordering disclosure, even if the interrogatories precede a scheduled claim construction process or expert discovery phase.²¹ Unless you are practicing in a jurisdiction that constrains the use of contention interrogatories at

²⁰ Some jurisdictions, such as the Eastern District of Texas, provide for mandatory disclosure of all relevant documents without the use of document requests. *See* E.D. Tex. R. App. J. R. 26(d) (providing a broad interpretation of the term "relevant" to the rule's authorization of discovery of information "relevant to the claim or defense of any party"); *see also Gauthier v. Union Pac. R.R. Co.*, No. 1:07-CV-12, 2008 WL 2467016, at *2 (E.D. Tex. June 18, 2008) (commenting that, "The phrase 'relevant to any party's claim or defense' is also defined *expansively* in Local Rule CV-26(d).") (emphasis added). In such jurisdictions, it is advisable to state in writing to the opposing party the categories of information you believe should properly be produced. Doing so will allow you to ferret out any disagreements as to the scope of discovery early in the case.

²¹ *See, e.g., S.S. White Burs, Inc. v. Neo-Flo, Inc.*, No. 02-CV-3656, 2003 WL 21250553, at *1 (E.D. Pa. May 2, 2003) (ordering plaintiffs to respond to interrogatories requesting claim construction analyses prior to the scheduled *Markman* Hearing, and noting that "interrogatories seeking the identification of elements or limitations alleged to be infringed, and the supporting documents . . . will not be postponed."); *Exxon Research & Eng'g Co. v. U.S.*, 44 Fed. Cl. 597, 603 n.9 (1999) (permitting a party to use interrogatories, rather than deposition testimony, to respond to a request for information regarding claim construction outside of a *Markman* Hearing, and noting that "*Markman* did not eliminate the obligation of a party claiming patent infringement to produce binding testimony [or other evidence] on claim construction issues.").

the early stage of cases,²² a refusal to respond to such requests as "premature" is unlikely to hold up when challenged.

Customize Your Protective Orders

In virtually every patent infringement case today the parties enter a protective order to govern the handling of discovery materials exchanged in the course of the litigation. Like discovery requests, there is a fair amount of recycling that goes on with protective orders. Some practitioners also develop a preference for a particular type of protective order, and will fight for their approach even if it is not appropriate or necessary in a given case. Here again, taking the time to evaluate the specific needs in the case and tailoring the protective order accordingly will pay dividends in the long run.

The major battleground when negotiating protective orders is the number of "tiers" of protection and who

²²The Southern District of New York's Local Rules, for example, prohibit the use of interrogatories to seek "the claims and contentions of the opposing party" until the last 30 days before the close of discovery. Prior to this time, parties may only use interrogatories to seek the "names of witnesses with knowledge of information relevant to the subject matter of the action, the computation of each category of damage alleged, and the existence, custodian, location and general description of relevant documents." S.D.N.Y. R. 33.3.

will have access to the various tiers. With a single tier protective order, all materials designated as confidential will be subject to the same treatment. With multiple tiers, some materials will enjoy greater protection than others. Multi-tier protective orders can carry a heavy cost, however, because extra attorney time will be spent deciding upon the appropriate designation for each production document. As a threshold matter, give serious thought to whether a multi-tier protective order is really necessary in any given case. Sometimes a case is such that the documents to be produced are not particularly sensitive, or there are not serious competitive concerns with employees of the opposing party viewing the documents. In such cases, the expense associated with a multi-tier arrangement may not be justified. Conversely, where sensitive trade secret or financial information is likely to be at issue in the case, there is generally merit in arguing for a "highly confidential," or even an "outside counsel only," tier of protection.

The next consideration is who should be permitted access to the tier or tiers of confidential material. This is a two-fold consideration. First, consider the nature of the materials you will be producing, and whether there is sensitivity on the part of your client to having the opponent's technical, business or legal

employees view the documents. Generally a compelling case can be made that non-legal party employees should not be entitled to access an opponent's confidential material.²³ In-house counsel, on the other hand, is typically treated as equivalent to outside counsel and under the prevailing authority they are typically to be permitted access to discovery materials.²⁴ At least one district court has hinted at a potential exception for in-house counsel who have direct patent prosecution responsibilities because such responsibilities often require "competitive decisionmaking."²⁵ The

²³ See *Northbrook Digital, LLC v. Vendio Servs., Inc.*, No. 07-CV-2250, 2008 WL 2390737, at *12 (D. Minn. June 9, 2008) (discussing the "district's standard protective order in patent cases," which includes use of the "Confidential-Attorneys' Eyes Only" designation to explicitly exclude access by parties' non-legal employees); see also *Wedgewood, Ltd. P'ship I v. Twp. of Liberty*, No. 2:04-CV-1069, 2007 WL 1796089, at *1, *4 (S.D. Ohio June 21, 2007) (holding that a "protective order limiting disclosure of sensitive discovery materials to the parties, their counsel, their counsel's agents and their experts is both warranted and appropriate" even though the case does not involve any "trade secrets and the parties are not business competitors.").

²⁴ See *U.S. Steel Corp. v. U.S.*, 730 F.2d 1465, 1469 (Fed. Cir. 1984) (rejecting "a denial of access sought by in-house counsel on the sole ground of their status as in-house counsel," and further noting that "access should be denied or granted on the basis of each individual counsel's actual activity and relationship with the party represented").

²⁵ See *Motorola, Inc. v. Interdigital Tech. Corp.*, No. 93-CV-488, 1994 WL 16189689, at *4-7 (D. Del. Dec. 19, 1994) (declining to "rest its decision upon a bright-line distinction between 'in-house' and 'outside' counsel," but nonetheless acknowledging that, "in

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Federal Circuit recently declined to adopt a per se prohibition against disclosure of confidential information to in-house counsel who also engage in patent prosecution.²⁶ The court found that, in order to impose a patent prosecution bar, it must first find that the confidential information subject to discovery to the opposing party is "relevant to the preparation and prosecution of patent applications before the PTO."²⁷ If the confidential information is deemed sufficiently relevant to patent prosecution, the court must then balance the risk of inadvertent disclosure by in-house counsel during the course of patent prosecution against the potential harm to the opposing party imposed by such a protective order.²⁸ If the

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discussing access for in-house counsel, courts look for involvement in competitive decision making or scientific research in determining whether an individual would have difficulty compartmentalizing his knowledge." In this case, the court required that the parties amend the protective order to account for defendant counsel's dual roles as both trial and patent prosecution counsel.).

²⁶ *In re Deutsche Bank Trust Company Americas and Total Bank Solutions, LLC, Petitioners*, 605 F.3d 1373 (Fed Cir 2010).

²⁷ *Id.* at 1381.

²⁸ *Id.* at 1380-81 (noting that factors to be balanced include such things as "the extent and duration of counsel's past history in representing the client before the PTO, the degree of the client's reliance and dependence on that past history, and the potential difficulty the client might face if forced to rely on other counsel for the pending litigation
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risk of inadvertent disclosure outweighs the potential harm, then the court may impose a patent prosecution bar. Under *Deutsche Bank*, in-house counsel serving in patent prosecution capacities can expect to face a greater challenge in gaining access to discovery materials.²⁹

After evaluating your client's sensitivity to the disclosure of the information to its opponent's technical, business or legal employees, you must next consider whether it is desirable to expose your own client's employees to the opponent's confidential material. Particularly with regard to business and technical employees, exposing them to confidential material from competitors raises the specter of a later challenge for misuse of such information. Expanding the group with access to discovery materials also increases the chances of an inadvertent disclosure.

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or engage other counsel to represent it before the PTO") (citing *U.S. Steel*, 730 F.2d at 1468).

²⁹ *Id.* at 1381 (noting that a party seeking exemption from a patent prosecution bar bears the burden of showing that "counsel's representation of the client in matters before the PTO does not and is not likely to . . . give rise to a risk of inadvertent use of confidential information learned [through discovery], and . . . that the potential injury to the moving party from [a patent prosecution bar] outweighs the potential injury to the opposing party caused by such inadvertent use").

As far as in-house counsel is concerned, allowing them free access to discovery materials is highly beneficial because it allows for complete participation in litigation strategy and also allows in-house counsel to reach their own conclusions regarding the merits of a case, which can be important in the context of settlement. A potential downside, however, is that giving in-house counsel access to confidential information from competitors may restrict their future ability to take on responsibilities in patent prosecution or competitive decision making.

Regardless of the number of tiers in a protective order, there should be a clear and precise definition of what type of material may properly be designated as belonging to each tier. When the tiers are defined too subjectively (*e.g.*, "documents the disclosure of which the producing party believes would present a competitive disadvantage...") it can lead to sloppiness and, at worst, abuse. Most readers have probably been involved in a case where every document, including alleged prior art, is produced with an "outside counsel only" legend. Such practices should not be tolerated. Instead, define tiers in objective terms. For example, if one party or another advocates the use of an "outside counsel only" tier, explore the reason that such a tier is necessary. If the

explanation is that a party is particularly concerned about the security of its computer source code, then an argument exists for restricting that tier of protection to materials consisting of or containing source code. Likewise, if a party is concerned about its financial statements, the protective order can specify a level of protection for financial documents. As an insurance policy against misdesignation of materials, be sure to provide a procedure for challenging confidentiality designations, starting with a formal request to the designating party, followed by a motion to the court within a specified period of time. Such a provision should place the burden of demonstrating the need for protection on the designating party.³⁰

Another provision to consider is an exception to the protective order that will allow personnel not otherwise authorized under the protective order to view documents in the context of settlement discussions. Also consider providing that the protective order will extend to any third parties who produce

³⁰ Regarding confidential material, there may be a number of other provisions worth considering. Among the most important is a "claw back" provision negotiating the return of inadvertently produced privileged material. *See infra*, "Privilege."

documents in connection with the case. Doing so can obviate a common objection to third-party discovery, and will accelerate the third-party discovery process. Finally, the protective order should specify that the receiving party may only use materials produced under the protective order in the pending litigation, and may not use such materials to advance or initiate other proceedings. While this provision may not be enforceable in all courts, it may provide some comfort that producing documents in one case will not give rise to collateral proceedings.

Using the Federal Rules to Maximum Advantage

Requests for Admissions

Requests for admissions under Rule 36 ("RFAs") are a far less common discovery mechanism in patent infringement cases than document requests, interrogatories or depositions. But used properly, RFAs can be a highly effective tool. For example, parties can break down asserted claims into their constituent elements and seek an admission as to whether such elements are present or absent from an accused product. Similarly, RFAs can be used to seek admissions regarding the presence or absence of claim elements in prior art references. In either case, admissions

even as to inconsequential claim elements can simplify your proof at trial (or through summary judgment). Recall also that RFAs may be used, pursuant to Rule 36(a)(2), to obtain admissions as to the genuineness of documents.

The relatively infrequent use of RFAs in patent litigation may be a result of the fact that responses to RFAs are regularly nothing more than objections and denials. To be sure, a party is not obligated to admit to an RFA where the wording is vague or ambiguous, even if that party can reasonably infer what his or her opponent really means. But where a party's claims of ignorance and confusion become strained, the party serving the RFA should consider seeking enforcement. As a threshold matter, Rule 36 obligates the target of an RFA to conduct a reasonable inquiry before responding. Therefore, a party may not stick its head in the sand and deny knowledge of a given fact when such fact could be readily confirmed through a reasonable inquiry. Magistrate Judge Valdez in the Northern District of Illinois demonstrated the risks of failing to conduct a reasonable investigation in *Ropak Corp. v. Plastican, Inc.*, in which the defendant responded to an RFA regarding its sales figures by stating that the request was irrelevant and that it was "unable to

determine the amount of such gross sales for 1988 to the present."³¹ The Court found that the defendant did not adequately respond to the RFA because it had "repeatedly referred" to a witness in separate interrogatory responses who could provide such information regarding the sales, among other similar disclosures.³²

Similarly, where a party appears to be taking a deliberately obtuse approach in its denials of RFAs, it may be worth seeking the court's assistance. For example, in *Lamoureux v. Genesis Pharmacy Services, Inc.*, a request for admission asked the patentee to admit that the product in a photograph on the accused infringer's web site did not have a feature of the asserted claims.³³ The patentee qualified its response as "upon information and belief," and stated, "While anyone may look at the photograph and speculate, guess or opine as to whether the needles depicted therein are plugged, only a person who actually viewed the photographed needles themselves can state as a matter of fact, without

³¹ No. 04-C-5422, 2006 WL 2385297, at *7 (N. D. Ill. Aug. 15, 2006).

³² *Id.*

³³ 226 F.R.D. 154, 162-3 (D. Conn. 2004).

qualification, whether they are plugged."³⁴ The Court did not agree, stating that:

Discovery is not the place for overly-nuanced, metaphysical distinctions. Adopting Socrates' "the only true wisdom is in knowing you know nothing," one could reasonably deny *all* requests for admission. Our system of discovery, understandably, does not permit such a practice. Either the photograph depicts needles which contain plugs or the photograph does not depict needles which contain plugs.³⁵

The Court held that the plaintiff did not respond in good faith or to the "best of their ability under the circumstances," and thus, granted the motion to compel a proper response to the RFA.³⁶ Like so, courts can and will compel parties to admit facts where the objections to doing so are not well founded. Strained claims of ignorance or confusion are not a risk worth taking, for Rule 36(a)(6) expressly authorizes the court to deem a matter admitted as a sanction for an inadequate or improper answer. In

³⁴ *Id.* at 163.

³⁵ *Id.*

³⁶ *Id.* at 164.

addition, Rule 37(c)(2) provides for an award of fees for improper failures to admit under certain limited circumstances.

Sanctions Come in Many Shapes and Sizes

"Sanctions" is a word that gets thrown around frequently in litigation, but motions for sanctions under Rule 37 are relatively uncommon. Threats of sanctions usually connote large monetary awards and censure as punishment for egregious misconduct. But while courts may award sanctions only when there has been a violation of the rules, neither the violation nor the sanction need be substantial in order for Rule 37 to come into play. For example, as referenced in the prior section, an unjustified failure to admit an RFA is sanctionable. Perhaps more importantly, the majority of sanctions set forth in Rule 37 provide the moving party with a substantive advantage in the litigation rather than merely taking money from the opposing party or its counsel. The available sanctions enumerated in Rule 37 are:

- Payment of expenses and fees,
- Informing jury of the failure to produce,
- Prohibiting introduction of competing evidence,
- Directing that certain facts be taken as established,

- Striking pleadings,
- Staying proceedings,
- Dismissing the action in whole or part,
- Entering default, and
- Other sanctions at the court's discretion.

Perhaps the most attainable and most beneficial (aside from the case dispositive sanctions of dismissal and default) are the sanctions that preclude a party from relying on particular evidence or arguments. These sanctions may be particularly appropriate in cases where a party has been delinquent in fulfilling its obligation to supplement document production or other discovery responses under Rule 26(e). *Global Traffic Technologies, LLC v. Tomas Elecs., Inc.* is illustrative of the risk of failing to timely supplement discovery.³⁷ In *Global*, the Court rejected a defendant's attempt to introduce an obviousness defense in the context of a summary judgment motion.³⁸ The Court stated:

³⁷ See No. 05-CV-756, 2007 WL 4591297, at *9 (D. Minn. Dec. 27, 2007).

³⁸ *Id.*, at *5.

Rule 37(c)(1) specifically provides that if a party fails to supplement under Rule 26(a) or (e), that party cannot use 'information not so disclosed' in a motion, hearing or at trial. Accordingly, the Court finds that Tomar did not properly disclose its invalidity based on obviousness defense, and may not rely on such argument in its motion for summary judgment.³⁹

Similarly, in *Contech Stormwater Solutions, Inc. v.*

Baysaver Techs., Inc., the Court granted plaintiff's motion for summary judgment on all of defendants' counterclaims, holding

that "defendants failed to satisfy their disclosure and

supplementation obligations as required by the Federal Rules."⁴⁰

In failing to timely supplement their responses to Contech's

interrogatories, which sought information regarding the basis for

their invalidity claims, the defendants were subsequently precluded

from disclosing and using relevant prior art.⁴¹ The Court's

³⁹ *Id.*, at *7.

⁴⁰ 534 F. Supp. 2d 616, 624 (D. Md. 2008).

⁴¹ *Id.*; see also *SPX Corp. v. Bartec USA, LLC*, No. 06-CV-14888, 2008 WL 1701641, at *7-8 (E.D. Mich. Apr. 10, 2008) (excluding defendant's prior art evidence supporting its invalidity contentions because the delay in responding to plaintiff's requests "was unjustified and the supplementation was not seasonable," particularly given that defendant was aware of its allegedly anticipatory activities from the "get go").

decision to "strike [the] undisclosed evidence" made it impossible for the defendants to establish the elements of their counterclaims, entitling the plaintiff to summary judgment.⁴²

The foregoing should not be construed as a suggestion that every perceived shortcoming in an opponent's discovery should be met with a Rule 37 motion. Notwithstanding the above case examples, courts are generally quite reluctant to impose sanctions, particularly where doing so would impair a party's ability to fully present or defend a case, and a poorly supported request for sanctions can do more harm than good for the moving party. Rather, the simple point here is to remind practitioners that Rule 37 provides for a broad range of possible sanctions, and identifies specific circumstances in which such sanctions should be levied – including some where the court "must" award sanctions if certain conditions are met.

Commonly Invoked Rules Regarding Depositions and Interrogatories

The importance of interrogatories and depositions in patent litigation cannot be overstated. This section includes a

⁴² *Id.*

survey of popular issues that arise in the context of interrogatory and deposition practice:

- The 2000 amendments to the Federal Rules imposed a durational limit of one seven hour day on depositions. Debates occasionally arise in the course of a deposition as to how the seven hours is to be calculated. The answer lies in the Advisory Committee notes accompanying the amended rules. Specifically, the seven hour limit is to include only the time occupied by the actual deposition, and excludes time for lunch and breaks. In a video deposition the most reliable way to keep track of time is to follow the amount of recording time used by the videographer, whose equipment runs only during actual deposition time. Courts will enforce the seven hour rule, but will also allow more time when a reasonable showing of need is made.⁴³ Courts will not tolerate dilatory tactics intended to waste time on the

⁴³ See *Condit v. Dunne*, 225 F.R.D. 100, 113 (S.D.N.Y. 2004) (permitting a party to proceed beyond the seven hour time limit where the witness "delayed [and] frustrated the deposition process.").

record, and are empowered to levy sanctions for such conduct.⁴⁴

- Another deposition timing question that arises from time to time is how the seven hour rule applies in the case of Rule 30(b)(6) depositions. For example, if you produce three witnesses in response to a 30(b)(6) notice that includes 30 topics, does your opponent get seven hours with each? Can you game the system by giving them one witness for all 30 topics, and forcing them to conduct the entire deposition in seven hours? The answer to the first question is that if a corporation designates more than one representative in response to a 30(b)(6) notice, the one day limit applies separately to each designee.⁴⁵ The

⁴⁴ See Fed. R. Civ. P. 30(d)(2); see also *Calderon v. Symeon*, No. 3:06-CV-1130, 2007 WL 735773, at *1-2 (D. Conn. Feb. 2, 2007) (granting an extension of deposition time after defendant demonstrated that plaintiff-witness was "largely uncooperative, interruptive and non-responsive-providing excessive narrative and filibuster rather than concise, responsive answers.").

⁴⁵ *Canal Barge Co. v. Commonwealth Edison Co.*, No. 98-C-0509, 2001 U.S. Dist. LEXIS 10097, at *9-10 (N.D. Ill. July 19, 2001) ("Under the Advisory Committee's Notes to Rule 30(d)(2), if a corporation designates more than one representative in response to a deposition notice under Rule 30(b)(6), the one day limit applies separately to each designee.").

answer to the second question is technically yes, but proceed with caution – courts will take a practical approach to this issue, and when challenged, are likely to permit extra time.⁴⁶

- Rule 33(d) permits a party responding to an interrogatory to direct the requesting party to documents containing the requested information, rather than providing an answer to the interrogatory, but only under circumstances where the burden on the parties to obtain the information from the business records is the same. Too often the requirements for reliance on Rule 33(d) are not met. A response pursuant to Rule 33(d) must actually point to documents that contain the requested information.⁴⁷ Accordingly, a generic response that

⁴⁶ *See id.*, at *10-11 (finding one day of questioning insufficient).

⁴⁷ *Pulsecard, Inc. v. Discover Card Servs., Inc.*, 168 F.R.D. 295, 305 (D. Kan. 1996) (noting that defendants "may not simply refer generically to past or future production of documents, [but] must identify in their answers to the interrogatories specifically which documents contain the answer."). *But see Fresenius Med. Care Holding Inc. v. Baxter Int'l, Inc.*, 224 F.R.D. 644, 652 (N.D. Cal. 2004) (stating that "Rule 33(d) was not designed to save a party the effort of extracting information from a limited universe of documents," and requiring Baxter to respond directly to the interrogatory rather than rely on its identification of thirteen documents).

documents have been or will be produced is inadequate.⁴⁸

E-Discovery – New Rules for the Modern Business Environment⁴⁹

Electronic v. Paper-Based Information

99% of all information today is electronically stored.⁵⁰ E- discovery is therefore a must in today's litigation environment. ESI however, has certain unique features that make the application of traditional discovery techniques and rules difficult. Patent cases, with their focus on prior art, engineering records, design team drawings, and the like, only amplify these trends.

Unlike paper data, almost every business, large and small, saves an extraordinary amount of information

⁴⁸ *Caruthers v. Proctor & Gamble Mfg. Co.*, No. 96-CV-2071, 1996 WL 745587, at *2-3 (D. Kan. Dec. 27, 1996) (finding defendant's statements that it "purportedly will produce or has produced documents in response to some of the interrogatories" an improper election under Rule 33(d) because defendant failed to specifically designate which document applies to which interrogatory).

⁴⁹ Note that other references to e-discovery have been included throughout the article. *See, e.g., supra*, "Plan Ahead Wherever Possible."

⁵⁰ Kenneth W. Brothers, *Strategies for Using the New E-Discovery Rules to Your Advantage in Patent Litigation* 6 (June 12, 2007).

electronically. This data is stored in different locations and media (some of which may no longer be active), and is often stored in multiple places at the same time.⁵¹

Another problem with ESI is its persistence. Even when a document or e-mail is deleted from a computer, it is simply stored in another location on the computer or the network.

Likewise, many companies backup data with some frequency and therefore always have copies of deleted files.⁵²

Even data that is not deleted contains hidden information that cannot be found in the four corners of a paper document. Metadata, track changes, and other hidden information therefore distinguish electronic documents from paper ones.⁵³

Prior to 2006, e-discovery was allowed, but the primary issues it raised (efficient production and review, preservation of documents, etc.) was not directly addressed by the Federal Rules. The 2006 Amendments to the Federal Rules however, have served as a sea-change in e-discovery law, and are

⁵¹ *Id.*

⁵² *Id.* at 7.

⁵³ *Id.* at 8.

the basis for the discussion below.^{54,55}

What ESI is Discoverable?

All of the unique characteristics of ESI – its magnitude, persistence, hidden information, and so forth – have a profound impact not only on the difficulty of reviewing produced information, but in deciding what to produce as well. While the general rules of relevance, privilege, and reasonableness apply in e-discovery context, Courts have altered the discovery rule defaults in certain circumstances. It is important for practitioners to know therefore, when traditional discovery relationships are altered in e-discovery and to use the 2006 Amendments to the Federal Rules to their tactical advantage.

Relevance

Although general relevance rules are presumptively applicable in the e-discovery context, policy

⁵⁴ The 2006 Amendments to the Federal Rules put e-discovery at the forefront. The following rules were amended: Fed R. Civ. P. 16(b), 26(a), 26(b)(2), 26(b)(5), 26(f), 33(d), 34, 37, and 45.

⁵⁵ Note that Local Rules may discuss e-discovery as well. *See, e.g.*, D.N.J. Civ. R. 26.1(d) (Discovery of Digital information Including Computer-Based Information).

considerations occasionally alter the general rule that all relevant information should be produced.

For example, the vast amounts and generally irrelevant character of metadata makes it presumably irrelevant.⁵⁶ Likewise, the initial drafts of documents, which are often routinely destroyed and burdensome to retain, are also generally irrelevant.⁵⁷

Reasonableness

Although rarely used in paper discovery, Rule 26(b)(2)(C)(iii) has been cited as providing a general proportionality test weighing considerations of relevance and cost.⁵⁸ In e-discovery, this test is more widely used because of the burdensome volume of materials that can be produced and the

⁵⁶ *Wyeth v. Impax Labs., Inc.*, 248 F.R.D. 169, 171 (D. Del. 2006) (most metadata is of limited value and reviewing it can waste resources).

⁵⁷ *See Anti-Monopoly, Inc. v. Hasbro, Inc.*, No. 94-Civ.-2120, 1995 U.S. Dist. LEXIS 16355, at *6-8 (S.D.N.Y. Nov. 3, 1995) (party requesting initial drafts needs to make showing of necessity).

⁵⁸ Fed. R. Civ. P. 26(b)(2)(C)(iii) ("the burden or expense of the proposed discovery outweighs its likely benefit, considering the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the action, and the importance of the discovery in resolving the issues.").

difficulties in recovering all of the relevant information.⁵⁹

Generally, ESI should be produced if the information is only in electronic form. Hard drives, however, should only be subject to limited searches and not full-on fishing expeditions,⁶⁰ while broad network searches require strong showings of necessity.⁶¹

Privilege

The general rules regarding privilege and protection, including the attorney-client privilege and work product doctrines, apply in the e-discovery context.⁶² Even then, special exceptions are made for e-discovery-specific issues. As one example, some courts require each e-mail in a chain to be logged separately in the privilege log.⁶³

⁵⁹ See, e.g., *Zubulake*, 217 F.R.D. at 316 (Rule 26(b)(2) imposes general limitations on discovery through a "proportionality test.").

⁶⁰ See *Fennel v. First Stage Designs, Ltd.*, 83 F.3d 526 (1st Cir. 1996) (rejecting a request to mirror image a computer's hard drive).

⁶¹ See *Quinby v. WestLB AG*, 254 F.R.D. 94, 98-9 (S.D.N.Y. 2006).

⁶² See generally, 7 John K. Rabiej, *Moore's Federal Practice and Procedure* § 37A.32[1]-[4] (3d ed. 2009).

⁶³ See *In re Universal Serv. Fund Tel. Billing Practices Litig.*, 232 F.R.D. 669, 674 (D. Kan. 2005). But see *Muro v. Target Corp.*, 250 F.R.D. 350, 363 (N.D. Ill. 2007) ("respectfully disagree[ing] that
(cont'd)

The most troublesome problem for outside counsel in producing ESI is the danger that privileged information has been included as a part of the mass of documents given to the opposing party. It is important to ensure that this inadvertent production does not result in the waiver of privilege. Taking notice of this increasingly troublesome issue, 2008 saw the passage of Federal Rule of Evidence (FRE) 502, which addressed inadvertent waiver of privilege head-on.

FRE 502(b) states that: "when made in a Federal proceeding...the disclosure does not operate as a waiver in a Federal or State proceeding if: (1) the disclosure is inadvertent; (2) the holder of the privilege or protection took reasonable steps to prevent disclosure; and (3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following Fed. R. Civ. P. 26(b)(5)(B)."⁶⁴ Courts have wavered on the meaning of

(cont'd from previous page)

[the privilege rules] require . . . separate itemization" of each e-mail in an e-mail string).

⁶⁴ Fed. R. Evid. 502(b).

"reasonable steps to prevent disclosure" but are unanimous in citing its importance to the inadvertent waiver analysis.⁶⁵

The third prong of this analysis, commonly termed the "claw back" provision, asks the producing party to notify opposing counsel as soon as possible, and request that the opposing party return, sequester or destroy the information.⁶⁶ If the receiving party doubts the veracity of the privilege claim, the document should be delivered to the Court under seal for determination of the claim.⁶⁷

FRE 502, beyond protecting against inadvertent waiver, also attempts to reign in abuses of subject-matter waiver by the receiving party. FRE 502(a) states that when a disclosure is

⁶⁵ *Relion, Inc. v. Hydra Fuel Cell Corp.*, No. CV06-607-HU, 2008 U.S. Dist. LEXIS 98400, at *8-9 (D. Or. Dec. 4, 2008) ("Relion did not pursue all reasonable means of preserving confidentiality...and therefore the privilege was waived."). *But see Coburn Group, LLC v. Whitecap Advisors LLC*, 640 F.Supp.2d 1032, 1040 (N.D.Ill.,2009) (disagreeing with *Relion* because "[t]he standard of Rule 502(b)(2) requires "reasonable steps to prevent disclosure," not "all reasonable means." Accordingly, a party that mistakenly produces an e-mail but nonetheless takes "reasonable steps to prevent disclosure" does not waive its claim of privilege); *Reckley v. City of Springfield, Ohio*, No. 3:05-cv249, 2008 U.S. Dist. LEXIS 103663, at *6-7 (S.D. Ohio Dec. 12, 2008) (taking judicial notice of the label "Attorney Client Privileged" as a reasonable precaution).

⁶⁶ Fed R. Civ. P. 26(b)(5)(B).

⁶⁷ *Id.*

made and a party waives privilege, the waiver extends to an undisclosed communication only if: (1) the waiver is intentional; (2) the disclosed and undisclosed communications or information concern the same subject matter; and (3) they ought in fairness to be considered together.⁶⁸ Much to the relief of the producing party, inadvertent waiver can no longer be the grounds for further subject matter waiver.⁶⁹

It is important to also remember that "claw back" agreements can be negotiated by the parties themselves. The best time for this may be during the Rule 26(f) Conference.⁷⁰ Before broaching the issue, however, counsel should analyze their client's data systems for situations where the agreement would be particularly useful (for example, mirror-imaged hard drives). If significant disagreement persists on this point, a Court order may be necessary.⁷¹

⁶⁸ Fed. R. Evid. 502(a).

⁶⁹ Fed R. Evid. 502 advisory committee's note.

⁷⁰ Note that any consensual agreement will only apply to the parties to the agreement. *See* Fed. R. Evid. 502(e).

⁷¹ *See* Fed. R. Evid. 502(d). A court order has the effect of binding non-parties as well as the parties before the court. Fed. R. Evid. 502(e).

Accessibility

In e-discovery, accessibility issues are intimately tied to the human and financial costs of the process. The Federal Rules allow a party to not produce any items that are unduly burdensome or expensive.⁷² A producing party, however, must still designate data sources as inaccessible.⁷³ Some examples of presumably inaccessible material includes backup tapes⁷⁴ and residual-deleted data.⁷⁵

The party resisting discovery bears the burden of proving that the data is not reasonably accessible given certain cost criteria.⁷⁶ In cases of conflict regarding the accessibility of evidence, Counsel would be advised to negotiate a "sampling"

⁷² Fed. R. Civ. P. 26(b)(2)(B).

⁷³ Fed. R. Civ. P. 26(b) advisory committee's note of 2006.

⁷⁴ *Zubulake*, 217 F.R.D. at 319.

⁷⁵ *Id.* The *Zubulake* court goes on to list five categories of electronic information, from most to least accessible: active, online data; near-line data; offline storage/archives, backup tapes; and erased, fragmented, or damaged data. *Id.* at 318-9.

⁷⁶ Fed R. Civ. P. 26(b)(2)(B); *See Auto Club Family Ins. Co. v. Ahner*, No. 05-5723, 2007 U.S. Dist. LEXIS 63809, at *8 (E.D. La. Aug. 29, 2007) (party required to make evidentiary showing demonstrating undue burden).

agreement, whereby a party can get some tangible evidence of costs.⁷⁷

Generally, the finding of undue burden due to inaccessibility is not the end of the story. In cases where the evidence is relevant, a good cause showing by the receiving party may require the producing party to access and put forth the relevant evidence. In such a situation, a Court may allow some cost-shifting to help the producing party defray the costs of production. The authority for such cost-sharing derives from the balancing test in Fed. R. Civ. P. 26(b)(2)(C)(iii).

In a landmark case, the Southern District of New York set a seven-factor test for cost-shifting during e-discovery.⁷⁸ The Southern District's approach has been widely followed.⁷⁹

Sanctions

⁷⁷ See, e.g., *Zubulake*, 217 F.R.D. at 324.

⁷⁸ The seven *Zubulake* factors are: (1) the specificity of the requests, (2) the availability of information from other sources, (3) the total cost of production compared to the amount in controversy, (4) the total cost of production when compared with each party's resources, (5) the relative ability of each party to control its costs, (6) the importance of the issues at stake in the litigation, and (7) the relative benefits of obtaining the information. *Zubulake*, 217 F.R.D. at 322.

⁷⁹ 7 John K. Rabiej, *Moore's Federal Practice and Procedure* § 37A.36[3] (3d ed. 2009).

The general provisions regarding sanctions apply with full force to electronic discovery. Specific to electronic discovery, the failure to produce documents in a usable format⁸⁰ and the spoliation of evidence are grounds for sanctions as well.⁸¹

Spoliation is traditionally a particularly difficult grounds for sanctions in the context of e-discovery since ESI is routinely destroyed in the course of normal IT operations. The Federal Rules, attempting to account for this contingency, provide a "safe harbor" from sanctions for the routine, good-faith operation of an electronic system that results in the destruction of evidence.⁸² In this context, litigation holds are important, as routine deletion is less of an excuse after the onset of litigation and the receipt of the "hold letter." Accordingly, at least within the Southern District of New York, failure to issue a written litigation hold upon the

⁸⁰ 7 John K. Rabiej, Moore's Federal Practice and Procedure § 37A.52 (3d ed. 2009).

⁸¹ See *Zubulake*, 229 F.R.D. 422, 430 (S.D.N.Y. 2004).

⁸² Fed. R. Civ. P. 37(e).

reasonable anticipation of litigation is now considered grossly negligent.⁸³

The Southern District of New York recently expounded on those actions which require sanction for spoliation of evidence, and in doing so widened the availability of such sanctions . In *The Pension Committee of the University of Montreal Pension Plan v. Banc of America Securities, LLC*, the District Court laid out the framework that courts must follow to determine whether sanctions for spoliation of evidence are appropriate.⁸⁴ The Court first reiterated that the duty to preserve evidence attaches at the point at which litigation may be reasonably anticipated.⁸⁵ Once the innocent party establishes that the duty to preserve has attached, it must then show that the spoliating party acted with a culpable state of mind upon destroying or losing the evidence.⁸⁶ Such culpability is fairly easy to prove under the *Pension Committee* standard, as

⁸³ *The Pension Committee of the University of Montreal Pension Plan v. Banc of America Securities, LLC*, 685 F. Supp. 2d 456, 464-65 (S.D.N.Y. 2010).

⁸⁴ *Id.* at 463-72.

⁸⁵ *Id.* at 466.

⁸⁶ *Id.* at 467

the Court found that a "failure to preserve evidence resulting in the loss or destruction of relevant information is surely negligent, and, depending on the circumstances, may be grossly negligent or willful." After establishing the spoliating party's culpability, the innocent party must show that the missing evidence is relevant to its claim or defense and that it is prejudiced without such evidence.⁸⁷ Where the innocent party proves these elements, the court may issue sanctions.⁸⁸

Conclusion

There is a misconception among many practitioners that Rule 11 principles do not apply to discovery documents such as responses to document requests. Query whether this belief actually influences their conduct; more likely it is just fodder for discussion at cocktail parties. In fact, Rule 26(g)

⁸⁷ *Id.* at 464. Moreover, where the spoliating party acts in bad faith or in a grossly negligent manner, relevance and prejudice may be presumed. *Id.*

⁸⁸ *Id.* at 467. The form of sanction that is most appropriate should be decided on a case-by-case basis. *Id.* at 469-71. Here, for those plaintiffs found to be grossly negligent, the Court ordered the least harsh form of adverse instruction, that which permits (but does not require) a jury to make a rebuttable presumption that the lost evidence is both relevant and favorable to the innocent party. *Id.* at 470, 480. Where the spoliating party's conduct is more egregious, the adverse instruction should be harsher. *Id.* at 470.

imposes the same obligation of truthfulness and reasonable inquiry that applies to pleadings under Rule 11, and provides for mandatory sanctions for violations of the rule that occur "without substantial justification." Know the rules, use them to your fullest advantage, and hold your opponents to their obligations under the rules. Doing so provides the best chance for achieving an efficient and effective discovery process.