

MANAGING E-MAIL: “DISCOVERY” IN A U.S. LAWSUIT

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Managing E-mail and Other Electronically Stored Data

- E-mail: easy, fast, inexpensive means of communication
- Computer-stored documents: easy way to store, and retrieve, vast quantities of information
- HOWEVER, there are substantial potential pitfalls from a legal perspective:
 - DISCOVERY



E-mails from Bill Gates

- On compatible with other browsers:
 - “We have to stop putting any effort into [making MS Office documents compatible with other browsers].... Anything else is suicide for our platform.”
- On his concern about Netscape’s and Java’s being used to supplant Windows as an operating system:
 - It will “commoditize” Windows



E-mail from Microsoft Officers

- On Microsoft's intentions regarding Java:
 - To “proactively [try] to put obstacles in Sun's path, and get anyone that wants to write in [Sun's] Java to use [Microsoft's] J/Direct.”



E-mail from Microsoft Officers

- On Microsoft's intentions regarding the bundling of Internet Explorer with Windows 98:
 - “The stunning insight is this: To make [consumers] switch away from Netscape we need to make them to upgrade [sic] to Windows 98 . . . We can leverage these assets to convert the Navigator installed base and eclipse Netscape's browser market share leadership. ...”



What Kinds of Electronic Files Potentially are “Discoverable”?

- **E-mail**
 - Inter-office and third-party E-mail
- **Files**
- **Documents**
- **Document drafts and copies of documents**
- **Earlier versions of documents**
- **Scanned copies of papers (*e.g.*, pdf files)**
- **Notes of meetings or conversations on PDAs
or word processors**



Where Can “E-Documents” be Found?

- **Disks**
- **Servers**
- **Networks**
- **Backup tapes**
- **CD/DVD-ROMs**
- **Hard drives**
- **PDA's**



Overview

- What is “discovery”?
- What electronically stored information is “discoverable” under the “Federal Rules of Civil Procedure”?
- What protections are available to a “producing party”?
- What (*properly*) can be done to prevent materials being discoverable?



What is “Discovery”?

- The initial (pretrial) period of a lawsuit during which the parties may request and receive information relating to the factual issues in dispute
- Governed by the “Federal Rules of Civil Procedure”



Rule 26(b)

Scope of Discovery

- “Parties may obtain discovery regarding **any matter, not privileged, that is relevant to the claim or defense of any party....**”



Discovery May Include:

- Oral depositions
 - Written depositions
- Interrogatories to a party
- Requests for admissions
- Requests for physical or mental examination

- **Requests for the production of documents / materials in the possession of another party**



Documents Produced in the Course of Discovery in a Patent Infringement Lawsuit Might Include:

- Admissions of a party**
 - Statements against interest**
 - Acknowledgement of infringement**
 - Facts pertaining to copying or piracy of a patented invention**
-
- Increasingly, damaging admissions, etc. are in the form of E-mail and other electronically stored ‘documents’**



Rule 34

Document Production

- Definition of “documents:”
 - “Documents” include: “writings, drawings, graphs, charts, photographs, phonorecords, and other **data compilations** from which information can be obtained, translated, if necessary, by the respondent through detection devices into reasonably usable form”
 - Definition includes “electronic data compilations”



Local Rules

- Example: Uniform Definitions in Discovery Requests:
 - “Document. The term “document” is defined to be synonymous in meaning and equal in scope to the usage of this term in Federal Rule of Civil Procedure 34(a), including, without limitation, **electronic or computerized data compilations.** **A draft or non-identical copy is a separate document within the meaning of this term.”**
 - Southern District of New York Local Civil Rule 26.3(c)(2).



Document Request Definitions

- Example: “The term ‘document’ shall have the broadest meaning that can be ascribed to it pursuant to Fed. R. Civ. P. 34, and shall include, without limitation ...
 - ... all data or information stored on computer-readable media, such as electro-magnetic or other disks, diskettes, hard disk drives, tapes, cartridges and CD-ROM, including ...
 - electronic mail and electronic data compilations, including without limitation ...
 - back-ups of all of the foregoing on disks, tapes, networks ...



Document Request Example

- “All documents concerning or constituting or describing infringement or alleged infringement of any claim of the ‘777 patent by any person or entity, including, but not limited to, [accused infringer / defendant] XYZ Company”
- “All documents concerning or constituting or describing any communications related to the ‘777 patent, either within XYZ Company or between XYZ Company and any third party”



Example of a Hypothetical E-mail Communication

To: Dr. Alpha

From: Mr. Zeta

A US patent (Patent No. 777) has issued to our biggest competitor. That patent describes the essential features of our new product.

It appears that **our product infringes the patent**. Could you tell me whether you concur?



Anti-Monopoly v. Hasbro, Inc.

- Plaintiff requested electronic files, but received paper copies
- Defendant was required to produce the electronic files, even though it otherwise had complied with discovery requests



Sattar v. Motorola

- Plaintiff requested E-mail data from backup tapes and received 4-inch tapes, which he could not decipher / read
- Defendant was ordered to either:
 - Produce the data in a form the plaintiff could utilize (floppy disk); or
 - Allow plaintiff access to defendant's equipment to analyze the data himself



Playboy v. Welles

- Deleted E-mail is discoverable
- Plaintiff was allowed to make a mirror image of defendant's hard drive to recover deleted E-mails



Deleted Files

- **Deletion of a file does not instantaneously erase the data!**
- The deleted file will exist, without its index tag, until overwritten by another file
- Possible to recover deleted files with the use of a computer “forensics” expert



Document Drafts

- Discoverable if non-privileged and if otherwise relevant under the Federal Rules of Civil Procedure
- Applies to earlier drafts, versions or copies of a file



Rule 37: Sanctions

- For refusal to cooperate in the discovery process
- For refusal to comply with court-ordered discovery
- For **spoliation** of evidence
 - the intentional destruction of evidence



Costs Involved in E-mail Searching, Retrieval and Recovery

- Deleted E-mail on backup tapes must be restored to be decipherable
- Antiquated software or obsolete programs may impede recovery efforts
- Searching through voluminous backup tapes is very time consuming



Limitations on Discovery of E-mail, etc.

- Where a “Protective Order” has been obtained to protect a party from:
 - Undue burden or expense
 - Annoyance
 - Embarrassment
 - Oppression
- Where the Federal Rules or Local Rules otherwise limit discovery
- Where a recognized privilege or immunity is applicable



Types of Privileges

- **Attorney-client privilege**
- **Husband-wife privilege**
- **Penitent-clergy privilege**

- **Work product (immunity)**



Rule 26(b)

Scope of Discovery

- “Parties may obtain discovery regarding **any matter, not privileged**, that is relevant to the claim or defense of any party....”



Overview of Attorney-Client Privilege

- The oldest of common law privileges for confidential communications
- Its purpose is to **allow full disclosure of matters by clients to their attorneys**
- In order to deliver sound legal advice, an **attorney needs all relevant information from his/her client**
- If discussions were not privileged, legal advice and practice would be hampered by a **lack of disclosure** of information



Work Product

- Applies to opinions and writings made by attorneys
 - During a litigation or under the threat of litigation
 - Strongly protected in American jurisprudence



Example of a Hypothetical E-mail Communication

To: Dr. Alpha

From: Mr. Zeta

A US patent (Patent No. 777) has issued to our biggest competitor. That patent describes the essential features of our new product.

It appears that **our product infringes the patent**. Could you tell me whether you concur?



Waiver

- Usually, the actions of the client determine if there has been an express waiver

- Intentional disclosure:
 - Disclosing privileged material to a third party by any means

- Unintentional disclosure:
 - Different views on whether this constitutes a waiver



What are Reasonable Precautions?

- Firewalls
- Encryption
- Care in addressing and sending E-mail
- Confidentiality statement



How to Limit Dissemination of Information

- Attach a confidentiality statement and notice not to make copies or disseminate further
- Limit rendering opinions by E-mail, especially where there is a questionable claim of privilege
- Ensure the E-mail is sent *only* to the intended recipient
 - Avoid using hotkey shortcuts to prevent multiple recipients of E-mail
- Consider instituting an E-mail policy



Document Retention Policy

- Purposes:
- Reduce the risk associated with keeping documents and files beyond their period of usefulness
- Control costs associated with storing boxes of paper documents or backup tapes of files, or old hard drives with documents on them, etc.



E-mail Dangers

- **Hacking**
- **Monitoring**
- **Interception**
- **Careless use leading to inadvertent disclosure of confidential materials**
- **Informality**



Summary

- **Interoffice / intranet communications may be discoverable (both paper and e-files)**
- **E-mail, etc. can be used against the sender**
- **Exercise caution in writing and sending E-mail**
- **Make efforts to have a privilege attach, if possible**
- **Review (update) document retention policy**
- **Consider an E-mail policy**

The End





Some additional materials follow ...



Rule 26(a):

Information that *must* be disclosed to opposing counsel

- Names, addresses, and contact information of individuals likely to have discoverable information
 - In a patent case, this might include, e.g., inventors, technicians, managers of the particular business unit, etc.
- Computation of damages claimed (if any)
- Description or copies of documents under the party's control that may be used to support its claims or defenses
 - Unless solely for use in impeachment



Rule 26(b)

Scope of Discovery

- “... Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence. ...”



Cases Involving Issues of Electronic Discovery:

- *Adams v. Dan River Mills, Inc*
- *Bills v. Kennecott Corp.*
- *Anti-Monopoly v. Hasbro, Inc.*
- *Sattar v. Motorola*
- *Playboy v. Welles*
- *McPeck v. Ashcroft*



Adams v. Dan River Mills, Inc

- 1972 case
- Held that computerized tax information fell under the scope of newly amended Rule 34



Bills v. Kennecott Corp.

- 1985 case
- Held that it was “axiomatic” that electronic records are discoverable under Federal Rules
- Defendant had to turn over the electronic files requested by plaintiff during discovery



McPeck v. Ashcroft

- The court limited discovery request made by plaintiff of backup tapes that needed to be restored in order for defendant to comply
- Otherwise, it is “an awfully expensive needle to justify searching the haystack.”



Overview of Federal Caselaw and Electronic Discovery

- **Electronic documents and E-mail are discoverable**
- **A developing body of law**
- **Growing trend toward shifting substantial costs of discovery to the requesting party**



Common Types of E-Data Involved in Discovery

- **Stored files on a hard drive or server**
 - **E-mail**
 - **Saved files**
- **Deleted files**
- **Document drafts or earlier versions of documents**



Files Stored on Hard Drives or Other Media

- Easiest type of file to recover
- Indexed on the hard drive, disk, CD, etc.
- Simple to recover, find, or copy



Cases Where No Cost Shifting was Ordered

- *In re Brand Name Prescription Drugs Antitrust Litigation*
 - Restoration of backup tapes estimated at between \$50,000 and \$70,000
 - Cost of production held as “a product of defendant’s record keeping scheme over which the [plaintiffs have] no control.”



Cases Where No Cost Shifting was Ordered

- *Bills v. Kennecott Corp.*
 - Expenses of \$5,400 to comply with discovery request not held to be an undue burden on defendant



Rowe Entertainment v. William Morris Agency

- Factors when cost shifting is appropriate:
 - **Specificity of discovery request**
 - **Likelihood of discovering critical information**
 - **Availability of information from other sources**
 - **Purpose for which the responding party maintains the data**
 - **Relative benefit to parties obtaining the data**
 - **Total cost associated with the production**
 - **Relative ability of each party to control costs and their incentive to do so**
 - **Resources available to each party**



Elements of Attorney-Client Privilege

- **Only applies if the holder of privilege is or sought to become a client;**
- **The person to whom the communication was made:**
 - Is a member of the bar of a court, or his/her subordinate, and
 - In connection with this communication is acting as a lawyer;
- **The communication relates to a fact that the attorney was informed:**
 - By his/her client
 - **Without the presence of strangers**
 - For the purpose of securing primarily either:
 - An opinion of law, or assistance in some legal proceeding
- **Not for the purpose of committing a crime or tort; and**
- **The privilege has been claimed and not waived by the client**



Unintentional Disclosure Views on Waiver

- Strict view
- Lenient view
- Middle view



Strict View on Unintentional Disclosures

- **Any disclosure** constitutes a waiver of privilege
- *In re Sealed Case*
 - The degree of care taken to ensure confidentiality is indicative of its importance
 - Careless regard for confidentiality means the information is not important, and waiver of its privilege is therefore, also not important



Lenient View

- No such thing as an inadvertent waiver
- Waiver is the intentional relinquishment of a known right
 - Must intend to waive, therefore cannot waive by accident
- Not widely adopted in Federal courts



- *Allread v. City of Grenada*
 - Privilege waived if disclosing party “failed to take reasonable steps to maintain confidentiality.”
 - Factors to consider:
 - Reasonableness of the precautions taken to prevent inadvertent disclosure;
 - Time taken to rectify the error;
 - Scope of the discovery;
 - Extent of the disclosure;
 - Overriding issues of fairness



Example of Confidentiality Statement in an E-mail:

- “This message, including any attachments, may contain confidential, attorney-client privileged, attorney work product, or business confidential, information, and is only for the use of the intended recipient(s). Any review, use or distribution by others is prohibited. If you are not the intended recipient, please contact the sender and delete all copies.”



If an Opinion Must Be Expressed ...

- “This letter is a confidential document expressing legal opinions on questions of law and fact drafted in response to your request for legal advice and based, in part, on our review and consideration of confidential technical information received from [client]. As such, this document is entitled to attorney-client and work product privileges, which would prevent its production to an adversary in litigation. ...
 - [see next slide]



If an Opinion Must Be Expressed ...

- “... In order to protect its confidentiality, the distribution of this document should be limited, and you should not disclose its contents or furnish a copy to any other person or company except for those acting on behalf of [client] who have a need to review this opinion letter to carry out their various responsibilities.”



Document Retention Policy

- Some information pertaining to patents would be vital to save:
 - Establishing inventorship
 - Establishing dates of invention
- Improper motive for document destruction may be deemed spoliation. Three factors for a document retention policy:
 - Policy must be reasonable given “the facts and circumstances surrounding the relevant documents”
 - The nature and importance of the records involved will be considered
 - If lawsuits have been initiated in the past, similar records that were needed for those may need to be kept. (Lewy v. Remington Arms Co.)



Document Retention Recommendations

- **Address all types of records, physical and electronically, held by the company**
- **Identify all laws applicable to the documents used**
 - Tax records, labor records, proving inventorship, etc.
- **Ensure the policy is neutrally applied**
 - Company may have to keep documents relating to accidents or injuries, even if there is no pending litigation
- **Develop means to implement the policy**
- **Inform all current and future employees of the policy and its specifics**
- **Employ a means to exclude from destruction any documents relevant to current or possible litigation**
- **Ensure that policy addresses E-mail, etc.**
- **Retain all documents regarding the design, implementation, and enforcement of the policy**



Strategies for Information Distribution

- Utilize to maintain privileges held by materials
- Institute policies for E-mail “etiquette”
- Institute policies for distribution of documents (including opinions of counsel, etc.)