

Land Mine or Treasure Trove?
Managing and Planning for Electronic Discovery:

A Committee Forum presented by the Committee
on Business and Corporate Litigation of the
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A. Summaries of Recent Case Law on Electronic Discovery :

1. Cost Allocation

a. Producing party pays costs of production.

⇒ **In re Bristol-Myers Squibb Securities Litigation, 205 F.R.D. 437 (D.N.J., Feb. 4, 2002).**

This case arose from consolidated complaints in a putative class action asserting securities claims of false and misleading statements by corporate and individual defendants in a pharmaceutical company concerning an anti-hypertension drug. The company moved to compel claimants to pay full costs of paper document copying pursuant to a discovery agreement.

The court held that: (1) failure of company to inform claimants that new drug application information to be provided was available in electronic form precluded recovery of photocopying costs for that information; (2) there was no duty on part of company to disclose that it was electronically scanning paper documents submitted to claimants as part of discovery process; (3) claimants could not avoid payment of photocopying charges on grounds that they were fraudulently induced into agreeing to pay by assurances of maximum size of production; (4) photocopy charges would be reduced to reflect availability of lower cost copying option than one used; and (5) company was required to make electronically scanned version of information available to claimants, in return for payment only of nominal costs of loading information on to compact discs.

b. Costs shifted to requesting party.

⇒ ***Medtronic Sofamor Danek v. Gary Karlin Michelson*, 2003 WL 21212601 (W.D. Tenn. May 13, 2003).**

This case involved a dispute over trade secrets, patents and trade information in the field of spinal fusion medical technology. The court was asked to make a ruling on Michelson's motion and determine whether information contained on backup tapes must be produced at the expense of the responding party.

The court applied a cost-shifting analysis set forth in *Rowe Entertainment, Inc. v. The William Morris Agency, Inc.*, 205 F.R.D. 421 (S.D.N.Y 2002) and, after considering all the circumstances, found the majority of the factors favored the shift

of discovery costs to Michelson (the requesting party). The court noted that cost-shifting was not warranted solely on the basis of Michelson's assertions that Medtronic failed to cooperate in electronic data discovery. Finding it was true that Medtronic did not "hurry" to produce electronic data, the court determined it was understandable that Medtronic would not do so until the parties had agreed on a protocol for production and review. Exhibits from both parties revealed difficulty communicating about a mutually acceptable discovery protocol, but the court found they did not demonstrate bad faith or obstruction by Medtronic. The court denied Michelson's motion to impose the full cost of electronic discovery on Medtronic as a sanction for delaying production. In the circumstances of the case, the court determined that cost-shifting was warranted. Michelson was required to bear part of the production costs as outlined by the court in a detailed discovery plan.

⇒ ***Byers v. Illinois State Police*, 2002 WL 1264004 (N.D. Ill., June 3, 2002).**

The plaintiffs in this employment discrimination action sued the Illinois State Police ("ISP") and various individual members of the ISP alleging sex discrimination and retaliation. The plaintiffs' claims in this case centered around their allegation that the ISP improperly refused to promote them. The court was asked to rule on the plaintiffs' Motion to Compel Defendants' Answers to Plaintiffs' Continuing Sets of Interrogatories and Continuing Requests for Production of Documents and Certification of Compliance in which they requested every email an individual defendant had authored relating to each plaintiff. The defendants objected that this request was unduly burdensome because it would entail searching backup tapes – specifically that downloading and examining the backup tapes would take weeks and estimated the total cost of responding to the request was \$20,000 - \$30,000.

The court analyzed the burdens and costs of production, balancing them against the likelihood of a successful search, and concluded that the plaintiffs should share the cost of production. The court held that, based on the cost of the proposed search and the plaintiffs' failure to establish that the search would uncover relevant information, plaintiffs were entitled to emails stored on backup tapes only if they were willing to share the cost of production, specifically the licensing of the old email program.

⇒ ***Murphy Oil USA, Inc. v. Fluor Daniel, Inc.*, 2002 WL 246439 (E.D. La., Feb. 19, 2002).**

In this suit alleging breach of contract, the plaintiff sought to compel production of certain responsive emails. The defendant requested that the court shift the costs of production to plaintiff, contending that the expense of production outweighed the benefit of the evidence – estimating that it would take six months and cost \$6.2

million to restore the tapes, convert the emails to TIFF images, and print the emails.

This court followed the cost-shifting analysis set forth in *Rowe Entertainment, Inc. v. The William Morris Agency, Inc.*, 205 F.R.D. 421 (S.D.N.Y. 2002) and specifically addressed cost allocation in the context of retrieval of email from backup tapes, considering factors to determine whether to shift such costs to a requesting party. The court held that only two *Rowe* factors favored making the producing party pay: the specificity of the plaintiff's request and the unavailability of the emails from other sources. In contrast, favoring cost-shifting were the "modest" likelihood of retrieving relevant information, lack of a business purpose for retention of the tapes or benefit to the defendant in restoring them, magnitude of the total cost, and plaintiff's ability to control costs by paring its request. The court, counting five factors in favor of shifting costs and two against, ordered that the requesting party pay the costs of restoring and printing the emails.

⇒ **Rowe Entertainment, Inc. v. William Morris Agency, Inc., 205 F.R.D. 421 (S.D.N.Y., Jan. 16, 2002) *motion to reverse denied* 2002 WL 975713 (May 9, 2002)**

The plaintiffs, a group of black concert promoters, contended that the defendant booking agencies and promoters had, with discriminatory and anti-competitive practices, frozen them out of the market for promoting events with white bands. The plaintiffs made document requests which included all documents concerning any communication relating to selection of concert promoters and their bids to promote concerts, and all documents concerning market shares and market conditions. The defendant requested that the court deny the request or shift the costs of production to plaintiff, contending that the expense of production outweighed the benefit of the evidence – estimating costs of retrieval and production were hundreds of thousands to millions of dollars.

The court applied a balancing test in which it analyzed several factors and concluded that all but one supported the defendants' position that plaintiffs should pay the costs. The sole consideration in favor of the plaintiffs was that the emails were not available from other sources. On the other hand, factors weighing in favor of shifting costs were: 1) the expansiveness of the requests, which multiplied the cost of production; 2) the modest likelihood of recovering relevant information; 3) the lack of any business purpose for accessing information from backup tapes; 4) the absence of any benefit to the defendants in restoring the tapes; 5) the substantial cost of restoring the tapes; and 6) the plaintiffs' ability to limit further discovery based on information from an initial sampling. After considering all of these circumstances, the court granted the defendants' motion and ordered that the plaintiffs pay the costs of obtaining discovery of emails.

c. Sampling of Production to Determine Whether Complete Production and/or Cost Shifting are Appropriate

⇒ ***Zubulake v. UBS Warburg LLC*, 2003 WL 21087884 (S.D.N.Y., May 13, 2003).**

Plaintiff (“Zubulake”) filed suit against UBS (“UBS”), her former employer, alleging gender discrimination and retaliation. This matter came before the court on plaintiff’s motion to compel defendant to produce email messages existing only on backup tapes and other archived media.

After recapping *Rowe*’s eight-factor test for determining when shifting costs of document production to the requesting party, the court established a new three-pronged analysis for deciding disputes regarding the scope and cost of discovery of electronic data. The court’s analysis established a method for examining electronic discovery disputes in the context of whether requested data is stored in “accessible” or “inaccessible” format. Relevant electronic information that is stored in an accessible format must be produced at the responding party’s expense. A cost-shifting analysis is appropriate when relevant information is stored in an inaccessible format. The court held that: (1) employee was entitled to discovery of relevant e-mails that had been deleted and resided only on backup disks, and (2) consideration of cost-shifting of discovery costs was proper.

⇒ ***The Hartford Courant Co. v. Freedom of Information Commission*, 801 A.2d 759 (Conn., July 23, 2002).**

This case constituted Hartford Courant Co.’s appeal from the Freedom of Information Commission’s determination that the fee for producing electronic copy of certain criminal conviction information from Department of Public Safety would be calculated pursuant to a Connecticut state statute establishing fees generally to be charged by Department for services it provides.

The Connecticut Supreme Court held that: (1) the company’s request, which necessitated development of a new computer program, did not require creation of new document, and thus fee for production of electronic copy could be calculated pursuant to Freedom of Information Act’s (“FOIA”) fee provision; (2) the trial court improperly placed burden of proving reasonableness of making requested copy on company, for purpose of determining whether fee for production of requested copy could be calculated pursuant to fee provision of FOIA, rather than statute establishing fees generally to be charged by Department for services it provides; (3) the fee for producing electronic copy of certain criminal conviction information from Department of Public Safety would be calculated pursuant to FOIA’s fee provision;

and (4) the company's request was not a criminal history record information search such that statute establishing fees generally to be charged by Department for services it provides did not apply.

See also, *Murphy Oil, Rowe* (cited in Section 1. b. above)

2. Document Retention and Destruction.

⇒ **Positive Software Solutions, Inc. v. New Century Mortgage Corp., 2003 WL 2100002 (N.D. Tex. May 2, 2003).**

A software developer sued licensee and third parties for, *inter alia*, copyright infringement. The developer made a motion for reconsideration of orders limiting discovery and compelling arbitration.

The court ordered defendants to preserve all existing backups or images of all servers or personal computers that now or previously contained any portion or part of the software in question, and any associated software, whether used for development, debugging, deployment, production or otherwise, including source code, object code, history or log files, or revision tracking files, and to refrain from deleting any such files still resident on any servers or personal computers, and to preserve all existing backups or images of all email servers, pending further order of the court or directive of the arbitrator.

⇒ **Madden v. Wyeth, 2003 WL 21443404 (N.D. Texas, April 16, 2003)**

Plaintiffs filed a motion to preserve evidence in this drug products liability case concerning Children's Advil. As grounds for their motion, plaintiffs alleged, "there exists the possibility for defendants and their agents or employees to unintentionally or intentionally destroy or lose materials and documents relating to Children's Advil." They asked the court to order defendant to (1) preserve all documents and information, whether in paper or electronic format, pertaining to Children's Advil regardless of the actual trade name used; and (2) suspend all routine destruction of documents, including but not limited to recycling backup tapes, automated deletion of email, and reformatting computer hard drives.

The court found no evidence that defendant or its attorneys would "flaunt their obligation under the federal rules" in absence of an affirmative order. The court acknowledged defendant's duty to take appropriate measures to preserve documents and information reasonably calculated to lead to the discovery of admissible evidence and likely to be requested during discovery. The court stated it was confident that defense counsel would advise their clients of the requirement to preserve relevant evidence and admonish them of the dire consequences of violating

this duty. Without proof that evidence may be lost or destroyed in the absence of a preservation order, the court refused to grant plaintiffs' motion.

3. Duties respecting Electronic Evidence

a. Production, generally.

⇒ ***Giardina v. Lockheed Martin Corp.*, 2003 WL 1338826 (E.D. La. Feb. 26, 2003).**

The plaintiff, Felicia Giardina, filed suit claiming that she was discriminated against during her employment with Lockheed – specifically that she was terminated in retaliation for her complaints about other employees' access to pornography on company computers. Plaintiff's discovery requests sought a list of all "non-work related Internet sites" accessed with 16 different company computers for a period of approximately 21 months. Defendant objected to this request as overly broad and unduly burdensome, and stated that such records were kept for a period of only six months.

The district court upheld the prior ruling -- ordering defendant to explain its efforts to obtain information for the 21-month period requested, and, if it was unable to access information for the entire period, to explain why.

⇒ ***Dodge, Warren & Peters Ins. Svcs., Inc. v. Riley*, 105 Cal.App.4th 1414 (Cal. App. 4 Dist., Feb. 5, 2003).**

Plaintiff sued former employees for misappropriation of trade secrets and unfair business practices. The former employees, formerly employed by plaintiff, an insurance brokerage firm, appealed a preliminary injunction by the superior court that required "freezing" of defendants' computers and preservation of electronic evidence that prohibited the former employees from destroying, deleting or secreting from discovery any of their electronic storage media.

Finding that plaintiff could lose the evidence if the injunction was not issued, and that defendants admitted to copying information off plaintiff's computer systems, the court held that the trial court did not abuse its discretion in finding irreparable harm and the likelihood that plaintiff would have success on the merits of the injunction.

⇒ **Residential Funding Corp. v. DeGeorge Fin. Corp., 306 F.3d 99 (2nd Cir. Oct. 2002).**

DeGeorge Financial Corp. appealed from a final judgment in favor of Residential Funding Corporation ("RFC") after a jury trial on cross-claims for breach of contract. On appeal, DeGeorge challenged only the lower court's denial of its motion for sanctions -- in the form of an adverse inference instruction -- for RFC's failure to produce certain e-mails in time for trial. The lower court denied the motion based on its finding that the delay in producing the e-mails was not caused by an action of RFC that was taken in bad faith or with gross negligence and its finding that DeGeorge had not shown that the missing e-mails would be favorable to its case.

The court held that (1) where, as here, the nature of the alleged breach of a discovery obligation is the non-production of evidence, the court has broad discretion in fashioning an appropriate sanction, including the discretion to delay the start of a trial (at the expense of the party that breached its obligation), to declare a mistrial if trial has already commenced, or to proceed with a trial with an adverse inference instruction; (2) discovery sanctions, including an adverse inference instruction, may be imposed where a party has breached a discovery obligation not only through bad faith or gross negligence, but also through ordinary negligence; (3) a judge's finding that a party acted with gross negligence or in bad faith with respect to discovery obligations is ordinarily sufficient to support a finding that the missing or destroyed evidence would have been harmful to that party, even if the destruction or unavailability of the evidence was not caused by the acts constituting bad faith or gross negligence; and (4) in the instant case, the lower court applied the wrong standard in deciding DeGeorge's motion for sanctions.

DeLoach v. Philip Morris, Inc., 206 F.R.D. 568 (M.D.N.C., Apr. 3, 2002).

Quota holders and direct sellers of flue-cured and burley tobacco brought antitrust suit against tobacco manufacturers, alleging that they engaged in a price-fixing conspiracy. The plaintiffs moved to strike portions of defendants' expert report because the expert relied upon computerized transaction data that defendants deliberately withheld during discovery.

The court denied plaintiffs' motion to strike portions of the expert's report, but allowed them to file a supplemental rebuttal since the data was already compiled in a database and required no additional preparation.

b. Production, backup tapes.

⇒ **In re Amsted Industries, Inc. ERISA Litigation, 2002 WL 31844956 (N. D. Ill. Dec. 17, 2002).**

Employees' stock ownership plan (ESOP) plan participants brought action against employer, its ESOP and various individual defendants, alleging breach of fiduciary duty, and other wrongs stemming from a 1999 hostile takeover of competitor with use of ESOP assets. The court considered plaintiffs' various discovery motions, including a motion compelling defendants to retrieve e-mail. The defendants had limited production of documents generated after January 1, 1999, and to what they defined as relevant subject matter, and plaintiffs objected.

The court determined that the defendants should re-search their tapes under the broader subject matter and time period. The court also indicated they should search the in-box, saved, and sent folders of any relevant individual's email in the same manner. While the court noted its recognition that Amsted's retention policy and lack of a comprehensive email system before 1999 made it unlikely that the additional searches would turn up relevant discovery, the court determined that neither of the additional searches was so burdensome or expensive as to require a limiting of the requests.

⇒ ***In re CI Host, Inc.*, 92 S.W.3d 514 (Tex Sup. 2002).**

Former customers, as putative class representatives, brought an action against a web hosting company for nearly 50,000 separate websites, alleging breach of contract, negligence, and violations of the Deceptive Trade Practices Act. In this matter, defendant web-hosting company sought mandamus relief from an order of the trial court directing it to produce copies of certain computer backup tapes to plaintiff customers.

The trial court affirmed its decision after a second hearing. The court denied the company's request for relief, but did so without prejudice. Without addressing the merits of the company's claim, the court held that the company did not meet its burden to support its objection pursuant to Tex. R. Civ. P. 193.4(a). It presented no evidence supporting its objection during the first hearing, and it only offered general testimony during the second hearing, which did not sustain its objection. Thus, the trial court did not abuse its discretion in overruling the objection.

See also, *Rowe, Murphy Oil, Zubulake, McPeck, Residential Housing*.

4. Forms of Production.

⇒ **Southern Diagnostic Associates v. Bencosme, 833 So.2d 801 (October 30, 2002).**

In this suit for bad faith in processing an insurance claim, the plaintiff, Bencosme, subpoenaed records from Southern Diagnostic Associates (SDA), which arranged independent medical exams on behalf of the insurer. Specifically, Bencosme sought records of payments to two specific physicians. SDA responded that they could not produce such records, because their computer system accepted searches only by claim number, patient, and accident date. Bencosme then moved for an inspection of SDA's computer system, which the trial court granted. SDA petitioned the appeals court to quash the order. The court found that SDA had demonstrated that the order would cause it irreparable harm. The trial court set no limits on the inspection, failing to address SDA's concerns for confidential and privileged information in the system. The appeals court noted that discovery by means of a computer search might be appropriate, but that it an order must define parameters of time and scope and must restrict access to protect the computers and databases as well as confidential information contained within them. It remanded for the trial court to narrow its original order.

⇒ ***Cobell v. Norton*, 206 F.R.D. 27 (D.D.C., Mar. 29, 2002).**

In an action by beneficiaries of Individual Indian Money (IIM) trust accounts, alleging that Secretaries of the Interior and Treasury breached their fiduciary duties by mismanaging the accounts, beneficiaries moved for sanctions based on defendants' earlier motion for protective order. The court had ordered defendants in this action to restore backup tapes to produce certain emails. Defendants requested "clarification" of the court's order. Specifically, they requested permission to produce the emails in paper form. The defendants had already advanced this argument twice without success.

The court not only denied the defendants' request, but sanctioned them for making it. It imposed upon defendants the plaintiffs' costs and fees incurred in responding to the request.

5. Spoliation and Sanctions

⇒ ***Eichman v. McKeon*, 2003 WL 21017591 (Pa. Super., May 7, 2003).**

Tenants brought negligence action against landlords and furnace repairman, alleging that fire in tenant's home, which spread to adjacent tenant's home and caused extensive damage to both homes, occurred due to fact that landlords had had repairs done to furnace at home where fire started prior to fire and that work was

negligently performed. The court considered this matter on appeal from a jury verdict in favor of appellees. Appellants raised numerous challenges to various trial court rulings and claimed they were entitled to judgment notwithstanding the verdict or, alternatively, a new trial. The challenges included claims that spoliation occurred and that appellees' counsel had committed "blatant" discovery violations, including mishandling of computer logs regarding insurance claims related to the underlying loss. Finding no abuse of discretion by the trial court, the court affirmed the underlying rulings.

⇒ ***Hildreth Mfg., L.L.C. v. Semco, Inc.*, 785 N.E.2d 774 (Ohio App., Feb. 20, 2003).**

Manufacturer's competitor brought an action against manufacturer for breach of its shareholders' settlement agreement executed just before shareholder's son formed a competitor. The competitor also sought a declaratory judgment that manufacturer had no trade secrets prior to the settlement agreement. Semco then brought action against Hildreth, manufacturer's former shareholder, shareholder's son, and former employee to recover for misappropriation of trade secrets, breach of contract, breach of fiduciary duty, unfair competition, unjust enrichment, and civil conspiracy. They counterclaimed for abuse of process and fraud. Semco claimed a former Semco employee now employed at Hildreth had copied Semco's computer files by placing them on a magnetic tape and had brought the files with him to Hildreth in an effort to misappropriate Semco's trade secrets and private customer information.

Considering all the facts surrounding the alleged spoliation of evidence from the hard drives, the trial court found that Hildreth failed to properly preserve the requested evidence, but that there was not a reasonable possibility that the missing hard drives contained evidence that would have been favorable to Semco's claims as required. Therefore, the motion for contempt was overruled. In making this determination, the trial court reasoned that it was "nonsensical" to believe that Hildreth would place misappropriated information on computers that were obtained after the issuance of the temporary restraining order, knowing that Semco sought to image these hard drives. The appellate court affirmed.

⇒ ***Liafail, Inc. v. Learning 2000, Inc.*, 2002 WL 31954396 (D. Del., Dec. 23, 2002).**

This matter involved cross-claims for contractual breaches and unfair trade practices. In response to the defendant's discovery request, the plaintiff gave conflicting accounts as to whether evidence contained in two laptop computers had been inadvertently destroyed or had already been provided to defendant. The existence of the requested evidence came into question during the deposition of a witness who claimed he had accidentally "trashed" both laptops through accidents

in which the laptops were dropped and information contained therein was destroyed.

Although the court did not immediately sanction the plaintiff, he was ordered to correct or clarify the discovery record by producing the requested documents, which it claimed were available, or by producing the documents that it claimed it had already produced. If plaintiff failed to comply with the court's order, the court indicated that it would order sanctions in the form of an adverse inference jury instruction.

⇒ ***Antioch Co. v. Scrapbook Borders, Inc.*, 210 F.R.D. 645 (D. Minn., Apr. 29, 2002).**

A holder of copyright on original decorative sticker designs brought a copyright infringement suit. The plaintiff brought several discovery motions all aimed at preserving the defendants' electronic documents. The court, finding that deleted information on the defendants' computers might be discoverable and relevant, concluded that the plaintiff should be able to attempt to retrieve deleted data. The court set forth the following protocol: plaintiff would select a computer forensics expert to create a mirror image of defendants' computer equipment; defendants would then make available all of their equipment; the expert would inspect and image the equipment. The expert would then report to the court what was produced, and what forensic work the expert performed. The resulting data would be provided to the court and to the defendants. The defendants would then review the data for responsiveness and privilege.

⇒ ***Lombardo v. Broadway Stores, Inc.*, 2002 WL 86810 (Cal App. 4th Dist., Jan. 22, 2002) (unpublished).**

As representative of a plaintiff class, Lombardo sued her former employer, Broadway Stores, for failure to pay accrued vacation benefits. The plaintiffs had requested that Broadway Stores preserve computerized payroll records relevant to their claim. The records were destroyed while the case was pending. The trial court ordered the defendant to pay the cost of re-compiling the information from the five million hard copy records, and the plaintiffs' attorneys' fees expended in seeking discovery compliance.

The court affirmed the imposition of sanctions. Broadway contended that the sanctions were not justified because although it destroyed the electronic records, the data was still available in hard copy form. The court rejected this argument, holding, "The hard copy may have contained the same information, but that information was not equally accessible."

⇒ ***Nartron Corp. v. GMC*, 2003 WL 1985261 (Mich. App., Apr. 29, 2003).**

This case originated from an after-the-fact dispute over amounts due to the plaintiff for research and development costs associated with a linear position sensor (LPS), an electronic wheel sensor, that plaintiff produced for defendant's Delco division. The court considered this matter on plaintiff's appeal of the trial court's dismissal of plaintiff's cause of action as a sanction for discovery abuses. Plaintiff's damages claim for more than \$5 million was based primarily on quantification of damages by plaintiff's economic experts. Plaintiff's experts relied on paper copies of timesheets in making their calculations.

The defendant claimed that the hard copy timesheets were unreliable and that there was evidence that they were backdated. Thus, the defendant moved to exclude all testimony, evidence and relief based on the timesheets. Further, it was defendant's theory that plaintiff decided to use the fabricated timesheets and then systematically either hid, altered, or destroyed any corroborating or contradictory evidence such as the computer data, engineering logs and budgets. Thus, defendant sought dismissal on the basis of the alleged discovery abuses. The trial court heard extensive testimony on the allegations, and determined dismissal was an appropriate sanction. Finding no error requiring reversal, the appellate court affirmed the trial court's ruling.

⇒ ***Essex Group v. Express Wire Servs.*, 578 S.E.2d 705 (N.C. App., Apr. 15, 2003).**

After a competitor failed to comply with discovery order in trade secrets case, plaintiff electrical wire manufacturer moved for sanctions. The defendants, former employees of plaintiff, had left their employment with plaintiff and started a competitive business. After suit was filed, there were allegations of destruction of physical and electronic evidence, including allegations that one of the former employees deleted multiple emails from his computer. The trial court struck defendants' answer, entered a default judgment against them, and ordered them to pay costs and fees.

On defendants' appeal, the court held that the sanctions were not an abuse of discretion because the former employees' actions were at best dilatory and at worst dishonest, either of which warranted sanction. Defendants admitted that they attempted to remove the documents so that their former employer would not have them and they also admitted being untruthful at deposition.

⇒ ***Lakewood Engineering & Mfg. Co. v. Lasko Prods.*, 2003 WL 1220254 (N.D. Ill. Mar. 14, 2003).**

In this patent infringement suit, plaintiff Lakewood Engineering & Mfg. Co. produced emails and other electronic documents after the close of the discovery period. The court found that while plaintiff did not engage in a good faith effort to produce all requested discovery in a timely manner, the cost to defendant was minimal, and therefore sanctions were not warranted. To the extent that it had not already been done, plaintiff was ordered to produce all emails generated or received by the inventor relating to the patent at issue.

⇒ ***Metropolitan Opera Ass'n v. Local 100, Hotel Employees & Restaurant Employees Int'l Union*, 212 F.R.D. 178 (SDNY, Jan. 28, 2003).**

The plaintiff opera company sued restaurant-workers' union and individual officers thereof in state court, alleging that union distributed false, misleading, and defamatory leaflets and letters in its attempt to unionize restaurant workers employed by company. The court was asked to rule on the plaintiff's motion for sanctions for discovery misconduct by the defendant and defendant's attorneys. Among other allegations, plaintiff claimed that defendant's attorneys failed to conduct the required search for relevant documents, including email and other computer documents, in response to plaintiff's multiple discovery requests.

With regard to some of the requested documents, the court found evidence of willful intent to withhold or conceal information. With regard to other requested documents, the court concluded that, at the very least, defense counsel's efforts to coordinate and carry out a plan to locate, review and produce relevant documents was insufficient to meet the requirements of the discovery rules. The court ordered judgment against defendant and awarded attorneys' fees.

In its decision, the court indicated a desire to both punish the conduct of the individuals involved in this case, and to deter similar conduct by others in the future. The court gave a clear indication of what defendant should have done, at a minimum, to properly discharge its discovery obligations. According to the court's discussion, elements of that plan should have included:

- A reasonable procedure to distribute discovery requests to all employees and agents of the defendant potentially possessing responsive information, and to account for the collection and subsequent production of the information to plaintiffs;
- A method for explaining to their client what types of information would be relevant and responsive to discovery requests;
- An inquiry into the client's document retention or filing systems, and implementation of a systematic procedure for document production or for retention of documents, including electronic documents; and

- Proper supervision of all elements of discovery that were to be carried out by non-legal personnel.

⇒ ***Kormendi v. Computer Associates Int'l, Inc.*, 2002 WL 31385832 (S.D.N.Y. October 21, 2002).**

The plaintiff, a laid off employee, brought an action alleging that availability of severance pay in connection with layoff had been determined in gender-discriminatory manner. The plaintiff requested a ruling that, if defendants could not produce evidence he requested, they would be precluded from raising the documents in evidence, and that the jury would be instructed regarding the missing evidence.

The magistrate found this request premature. If the defendant eventually sought to introduce evidence of the contents of emails it had destroyed, then the issue would be ripe for the trial court. The magistrate pointed out that the plaintiff had not exhausted all avenues of seeking the e-mails: it could ask for the names of persons from whom defendant had sought the e-mails, and suggest the names of other potential sources who might have saved copies of relevant emails.

⇒ ***Williams v. Saint-Gobain Corp.*, 2002 WL 1477618 (W.D.N.Y., Jun. 28, 2002).**

Plaintiff Williams was terminated by defendant Saint-Gobain in May 1998. Williams filed a charge of discrimination with the Equal Employment Opportunity Commission ("EEOC") asserting claims of, *inter alia*, age-based discrimination. In response to Williams' request for production of certain emails, Saint-Gobain responded that a change in the company's email software in late 1998 rendered any earlier emails irretrievable. Saint-Gobain asserted that the documents had not been saved in hard copy form, and so could not be produced. Five days before trial was scheduled to begin, Saint-Gobain supplemented its prior responses with the requested emails, which had been discovered on a former vice president's personal computer. Williams requested that the court sanction Saint-Gobain by striking its answer and precluding testimony on the subject matter of the emails.

The court declined to impose sanctions because there was no evidence of bad faith in withholding or destroying documents. It noted that the requested sanctions are harsh remedies and that the tardy production did not warrant such a result. Rather, the court extended the discovery deadline to accommodate any additional discovery arising from the supplemental response.

See also, *Cobell, Residential Funding*.

B. Planning for Electronic Discovery

1. The Unique Nature of Electronic Records

In theory, electronic discovery should be governed by the same rules as any other discovery as provided for in the Federal Rules of Civil Procedure or state court rules of procedure. However, certain unique aspects of electronic discovery (particularly the cost and burden) create potential issues and problems not associated with traditional paper discovery and require careful and creative advance planning to minimize cost and burden, and avoid possible adverse consequences in litigation. Specifically, the following factors are unique to electronic discovery:

- In many instances, there is no conscious decision made to retain electronic records. Rather, such records are often retained by default because no one deletes them. Paper records, by contrast, are almost always subject to review by someone who either consciously determines to place any particular document in a file or dispose of it.
- Even if a thorough and regular review is conducted of electronic records to delete those that should not be retained, deleting an electronic record does not assure that it no longer exists. It may exist on the user's hard drive even though not visible to the user, on the company's server, on the company's back-up tape or other media, on an isp's server, on an employee's home computer if he or she works remotely, and other places.
- A result of and related to the above two points is that the volume of electronic documents tends to be much greater than paper production

increasing the time and burden of reviewing such documents in connection with discovery.¹

- Electronic documents contain "hidden" information not reflected in paper documents. Information regarding revisions that have been made to the document (including when, what and by whom), time of distribution, recipients of such document and so on may be ascertainable electronically although not obvious from the printed or viewed version of the document. Such hidden information also complicates review of the documents in advance of production as the reviewing persons must know how and where to look for such information (and determine whether reviewing for such information is merited).
- Electronic documents are not in a uniform format. Unlike papers records which can be universally read, different software and hardware may be required to review electronic documents and to enable the opposing party to review such documents. Producing a CD with responsive files may not be adequate if the opposing party has no means to extract and review such files.
- Electronic documents are not always maintained in neatly segregated files. As a result, there is a greater risk of producing non-responsive or irrelevant files when providing electronic document production.

¹ It has been estimated that office workers exchanged 2.8 billion e-mails a day in the year 2000. Hawkins, Dana *Office Politics in the Electronic Age*, US News and World Report Online, Feb. 28, 2000.

- Employees and users tend to be less guarded and more cryptic in statements made in emails than those made on paper. As a result, more off-the-cuff statements tend to be made in emails.
- Electronic records are not limited to written documents. For example, voice mail, audio files (including original dictation recordings) and video files all fall within the definition of a document as it is now generally used.
- Preventing destruction of electronic records, particularly in a very large organization, can be burdensome at best and unmanageable at worst when such documents may exist on multiple computers or storage devices that are subject to the control of numerous different users. This problem is exacerbated by the fact that different versions of the same document may be created without the users knowledge. For example, when a user opens a document, a "shadow" copy of that document may be created automatically on his or her hard drive although the main document resides on the company's network server. While other users may later open and edit the document on the server, the "shadow" copy of the document remains unaffected on the original user's hard drive.

These unique characteristics of electronic documents make advance planning crucial to minimize the burden to the company should a request for electronic records be received and to avoid any claim of "spoliation" and possible sanctions resulting from such.

2. Strategic Planning for Electronic Discovery – Records Retention Policies.

A good starting point for considering how to plan for electronic discovery is The Sedona Principles: Best Practices Recommendations & Principles for Addressing Electronic Document Production (available at www.thesedonaconference.org).² The Sedona Group is a nonprofit research and education institute that considers law and policy issues relating to antitrust law, complex litigation and intellectual property. The Sedona Group in preparing the Sedona Principles, rejected the notion that the Federal Rules of Civil Procedure provide an adequate framework to address electronic discovery.³ Regardless of whether the Group's reasons for such rejection are sound, the Sedona Principles must be read and utilized recognizing that the Federal Rules of Civil Procedure do govern discovery. The *Zubulake* court specifically stated that it did not endorse or agree with all of the Sedona Principles.⁴ Thus, while the Sedona Principles provide helpful guidance, any document retention planning must take into account the existing rules of procedure and recent case law applying those rules to electronic discovery.

Electronic record retention policies must address three main goals: (1) retaining records necessary for business purposes and required by to be kept by law⁵, (2) retaining records necessary to back-up and restore the company's computer

² The current version of The Sedona Principles is a draft dated March 2003. According to the Sedona Conference web site, the final report is due out by the end of 2003.

³ *The Sedona Principles*, at p. 7.

⁴ *Zubulake*, 2003 WL 21087884 *8 n. 61.

⁵ The question of what documents should be retained and in what manner for business purposes raised many issues that are beyond the scope of this program and therefore are not addressed here. A good concise list of issues to be addressed in a document retention policy is identified in "Top Ten Tips for Electronic Data Management" at <http://www.krollontrack.com/LegalTools/TopTenTips/>.

network in the event of a catastrophe, and (3) regularly purging unnecessary records. Addressing the last point first, purging was once a very important issue in electronic document retention because memory was expensive. As the cost of computer memory has dropped, many companies are much less diligent about the deletion of documents and now, in practice, all electronic records often get retained by default simply because it is so easy and cheap to retain such records. Different opinions exist on whether the retention of all records is good or bad. On the one hand, retention of all records may allow the reconstruction of events that may have occurred years earlier with a significant level of certainty. Of course, the ability to do so depends upon the clarity and thoroughness of the records. On the other hand, informal, cryptic and incomplete comments in documents, particularly emails, can often be very damaging because such comments may exist without sufficient context and be subject to varying interpretations. People who would never make particular statements or comments in a written letter seem not to have the same concerns about making off the cuff and at time inappropriate comments in emails. It appears that, in many instances, email has replaced telephone conversations as a means of regular ongoing communications. As a result, informal comments that in the past would have been made only in the give and take of conversation now get memorialized in writing.⁶

The reality for purposes of electronic discovery is that there are many more documents created and retained than in the past, and that many of those

⁶ With respect to the informality of email, it is important to ingrain into the company's employees that statements they would be unwilling to make in a written letter should not be made in an email.

documents have not been subjected to the type of conscientious review and a deliberative determination as to whether they should be retained in the company's files. Thus, good organization of electronic files and repeated training of employees regarding the appropriate use of email are perhaps the two most important factors in planning for electronic discovery.

The failure to purge emails which probably should not be retained in part results from the fact that individual users often control whether an email is retained or deleted. One solution to impose deletion standards for emails via commercially available software. Examples of such software include Centera Compliance Edition by EMC Corp., IBM Records Manager, Omniva Policy Manager and SafeRoute from Authentica, Inc. Each of these products controls the retention of electronic records but do so in different ways.

With respect to business records that are kept and readily accessible (i.e. searchable), the company must assume that it will be required to produce such documents and generally bear the cost of such production.⁷ While there may be instances where the burdens could justify cost shifting or prevent production at all, any documents that are readily accessible to the company will be subject to production. What is the best way to maintain such business records so as to minimize the costs of electronic discovery will depend on the nature of the company's business and the type of computer network. For example, in a "thin

⁷ See *Zubulake*, 2003 WL 21087884 *9.

client" network,⁸ the company will not be required to search multiple hard drives on individual's computers since all files will be stored in a central location on or associated with the network server. In a large organization, this could greatly simplify and streamline the process of retrieving responsive documents. Even in networks where users have individual PCs and some level of storage occurs on their hard drives, efficiencies can be gained through streamlining file retention into a limited number of defined directories so that the possibility of documents being scattered among servers, user's hard drives and other storage devices is minimized.

It is the second category of electronic records, the back-up records that create the greatest (although not only) difficulty in electronic discovery.⁹ This is so because often such back-up records are kept on storage tapes from which documents cannot be easily searched and retrieved. Until recently, very little consideration was given to the need to retrieve documents from back-up tapes on a piece meal basis because such back-up tapes were never intended to be a filing system. Rather the tapes were intended as a disaster recovery system. Thus, it was assumed that information would only ever be needed from such tapes in the aggregate as part of the process of restoring the company's computer network in the event of a catastrophic failure of the network. The individual records were never intended to be retained for use in the business and therefore did not need to be easily accessible. That intended use, however, does not insulate them from discovery.

⁸ A thin client network is one where the actual workstations on employee's desks have very little memory or storage capacity and all significant storage and processing occur on the network servers.

⁹ This was acknowledged by the *Zubulake* court when it recognized that production of "inaccessible" records may justify shifting the cost of production onto the requesting party.

Perhaps the simplest way to limit potential costs in discovery associated with back-up tapes is to keep as few back up tapes as possible. Because back-up tapes are not intended as a filing system but rather as insurance against catastrophic network failure, there is generally no reason to keep tapes going back for extended periods. Tapes should be kept based upon technological issues of, for example, how far back must tapes be maintained in order to assure that "clean" files exist in the event of serious corruption of the network as a result of a virus or other event. Many companies appear to keep back-up tapes going back for a one year period when there is no technological justification for doing so.

A final note on document retention policies. Once a company develops a policy, it must enforce it regularly. Having a policy but not enforcing it may be worse than no having a policy at all. If enforcement occurs only sporadically, a company may subject itself to claim of manipulation and obstruction if enforcement occurs at a time slightly before or right at the time a claim arises, even if such timing is completely coincidental.

C. Steps to Take Once A Claim Arises.

Once a potential claim arises, it is critical to protect documents relevant to that claim from destruction. Accordingly, companies must understand what electronic records are regularly destroyed and halt such destruction as to relevant documents and also take steps to avoid deletion by individual users. Failure to take such steps can result in various adverse consequences including monetary sanctions and adverse inferences being drawn at trial. To protect against such problems,

companies need to undertake various steps to protect themselves once a claim arises.

- (1) Establish a system for notifying all employees when a claim arises and identifying the types of documents that must not be deleted and make sure that the required notification is given once a claim arises.
- (2) Establish a method for halting the automatic deletion of electronic records under the Company's retention and destruction policy once a claim arises. This should include suspension of both the deletion of documents from the available network and overwriting of any back-up tapes or media. It also must prevent individual users from deleting emails and files which they have the ability to delete from their own directories.
- (3) In responding to document requests, be clear about what the company did and did not produce in terms of electronic records. Do not respond that all responsive documents were produced if in fact not all electronic records (e.g. back-up tapes) were not reviewed.
- (4) Do not simply print out paper copies of electronic records and then allow the electronic records to be destroyed. Information

may be available from the electronic records that is not available from the paper copy.

- (5) Don't forget about non-traditional types of files such as voice mail messages in your search.¹⁰

¹⁰ Although I am not aware of this issue having arisen, digital dictation systems are now available that transmit the dictation files via email rather than electronically. There is no reason to believe that such files would be treated differently than email or voice mail files.

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