

**eDISCOVERY  
UPDATE**



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**PRESERVATION DUTY AND SAFE HARBOR**

**Prominent similar lawsuits triggered the duty to preserve**

Can litigation be “imminent” for four years or more before a plaintiff provides any indication of its intent to sue? It can, according to the magistrate in *Phillip M. Adams & Associates, L.L.C. v. Dell, Inc.*, 2009 WL 910801 (D. Utah Mar. 30, 2009). The parties agreed that in the Tenth Circuit, the duty to preserve evidence arises when a party knows or should know it is relevant to “imminent or ongoing litigation,” but they did not agree about the standard’s application.

Plaintiff’s earliest alleged communication to defendants about potential patent infringement was sent in 2004. Defendant ASUSTeK Computer, Inc. (ASUS) did not preserve source code, e-mails and other documents—from a period beginning in 2000-2001—that might be expected to exist in relation to the development of certain technology that plaintiff alleged infringed its patent.

ASUS argued that it had no obligation to preserve that material until it received notice of potential infringement claims on February 23, 2005. The alleged prior notice in 2004 was also disputed, but was ultimately irrelevant to the magistrate’s conclusion that defendant’s preservation duty in fact arose in 1999-2000—when three class action lawsuits involving the technology at issue in this case were either filed or settled.

“Throughout this entire time, computer and component manufacturers were sensitized to the issue,” the magistrate said. The magistrate compared the circumstances to those of a building fire, which raised a preservation duty immediately after it happened, and concluded that the duty to preserve arose well before plaintiff communicated to the defendant that litigation might be on the horizon.

The magistrate did not, however, elaborate on the fact that the cited building fire case involved the plaintiff building owner’s duty to preserve, and not that of the unsuspecting defendant. Nor did the magistrate further discuss how a sensitive issue within an industry places a particular industry member on constructive notice of imminent litigation.

ASUS argued that Rule 37’s safe harbor applied to any electronically stored information (ESI) that had been destroyed, saying that the loss of data was the result of the routine, good faith operation of an electronic information system. The magistrate disagreed. The magistrate’s analysis of good faith focused not on the establishment

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and operation of a good faith system that met ASUS's business needs, but focused rather almost exclusively on the reasonableness of ASUS's information management practices from a litigation perspective.

The magistrate determined that "accountability to third parties" is one aspect of a reasonable information management practice. The magistrate faulted ASUS for relying exclusively on employees to archive their e-mail and transfer ESI when their company computers were replaced, for having no centralized storage of ESI, for offering no evidence of a backup system or data backup policy, and for relying on "practices" rather than having formal information management policies.

With this somewhat unique focus on litigation and "accountability to third parties," and little discussion of other factors—such as industry standards and ASUS's business needs—the magistrate rejected ASUS's arguments, deciding that sanctions were appropriate and would be determined at the close of discovery.

### Web site treated the same as other electronic files

A party with ultimate control over Web site content is charged with a preservation obligation, according to the magistrate in *Arteria Property Ltd. v. Universal Funding V.T.O. Inc.*, 2008 WL 4513696 (D.N.J. Oct. 1, 2008).

In a dispute over failed negotiations for a long-term loan, the plaintiff alleged that certain representations by defendants induced plaintiff to act. Among such representations were marketing statements on defendants' Web site. Although defendants confirmed the existence and content of the alleged Web site representations, plaintiff sought copies of the Web site, which had been taken down after this lawsuit was filed. Despite saying it had requested a copy of the Web site images in response to plaintiff's request for production, defendants failed to produce them.

The magistrate first noted that the Web site's existence during the relevant time period was not in dispute and that the defendant had reason to anticipate litigation. The magistrate then focused on the issue of control, finding no reason to treat the Web site differently from other electronic files.

Even though there may inevitably be an intermediate Web site host, the magistrate determined that a party with ultimate authority to modify Web site content had the requisite control to be charged with a preservation obligation. Finding such conditions applicable here, the magistrate granted plaintiff's motion for an adverse inference instruction as to the spoliation.

## SEARCH AND PRODUCTION ISSUES

### Search capability within TIFF questioned

Degradation of electronically stored information (ESI) to a form that makes it more difficult or burdensome for the requesting party to use may require a second production. In *Goodbys Creek, L.L.C. v. Arch Insurance Co.*, 2008 WL 4279693 (M.D. Fla. Sep. 15, 2008), the plaintiff failed to specify the format of production in its discovery requests.

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Relying on the Rule 34(b)(2)(E)(ii) provision that permits production in a reasonably usable form when no form is specified, the defendant produced files in Tagged Image File Format (TIFF). Importantly, the opinion does not indicate that defendants also produced a corresponding load file containing searchable text. The plaintiff argued that TIFF files, as produced, were not adequate because they were “much more difficult” to search than the native format in which the files were ordinarily kept.

The magistrate’s analysis focused on the Rule 34 advisory committee note, which provides that a responding party may not convert ESI to a form that makes it more difficult or burdensome for the requesting party to use.

Without discussing the specific facts that allegedly made the TIFF files more difficult to search, the magistrate determined that conversion to the form that was alleged to be more difficult to search was impermissible. Softening the blow of this analysis, the magistrate ordered defendant to produce the files in their native format or “another comparably searchable format, or in the alternative, to supply [the plaintiff] with software for searching the TIFF images.”

### Minds fail to meet over search terms

How much is too much? Production of an estimated additional 1.3 million pages is too much according to the magistrate in *Ross v. Abercrombie & Fitch Co.*, 2008 WL 4758678 (S.D. Ohio Oct. 27, 2008)—unless the requesting party can make an adequate showing of benefit.

This discovery dispute arose out of a misunderstanding between counsel about how defendant Abercrombie was to conduct its document search. The magistrate denied plaintiff Ross’s motion for production of additional documents, which Ross argued should have been produced had the search been done as intended.

Negotiations between the parties over different iterations of a list of search terms resulted in a list with 123 terms. Abercrombie produced more than 1 million pages in accordance with the search, and the parties agreed that further refinements were needed. One of Ross’s attorneys sent a list of “Search Term Revisions,” consisting of six additional terms to be searched in proximity to a number of other terms.

Abercrombie performed the request as a stand-alone search, and the parties worked on a procedure for further production. During the ensuing discussions, the misunderstanding surfaced. Ross allegedly intended the new search terms to be added to the original 123-term list rather than to be a stand-alone search. The combined search would result in the production of an estimated 1.3 million additional pages—a result that was not agreeable to Abercrombie.

Abercrombie argued that many of the million-plus pages it already produced under the previously agreed search were irrelevant and the new search would suffer a similar fate. The magistrate agreed with Abercrombie, stating: “At some point, given the large amount of time and money which has been spent so far on document production, *it becomes the plaintiff’s burden to show that the cost to review and produce even more documents is outweighed by their likely relevance to the key*

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*issues in this case*” (emphasis added). The magistrate found that no such showing had been made and denied plaintiff’s motion, but left the door open for plaintiff to request additional discovery if plaintiff could tailor its request to retrieve relevant information.

### Costs not related to class certification are premature

When discovery is phased to first determine whether class certification is appropriate, burden and cost analysis may be framed by the discovery phase being conducted. In *Spieker v. Quest Cherokee, L.L.C.*, 2008 WL 4758604 (D. Kan. Oct. 30, 2008), plaintiffs sought class certification in a case concerning the alleged failure of defendant to pay the proper royalties on mineral interests.

Plaintiffs moved to compel the production of approximately 1.4 million pages of e-mail. Defendants argued that the request was duplicative of other productions, and the estimated cost of \$375,000 to collect, review and produce the discovery, which included a vendor’s estimate of \$82,500 to process the data for review, was unduly burdensome. The magistrate denied the motion without prejudice and set forth guidelines for further motion practice on the matter.

One issue addressed was the proper framework to weigh burden and benefit. Defendant argued that the named plaintiffs’ claims did not exceed \$100,000, so the estimated discovery cost of \$375,000 was unduly burdensome. Plaintiffs countered that the request was not unduly burdensome because the class claims, if certified, amount to more than \$5 million.

The magistrate disagreed that uncertified class claims were the proper point of reference and also disagreed that the value of the named plaintiffs’ claims was necessarily an upper limit on reasonable discovery costs in a putative class action. The magistrate determined that defendant should not incur “discovery expenses in excess of \$82,000”—perhaps representing the vendor’s estimate to process the data for review—without a more specific showing that additional discovery was relevant to the class certification issue. The opinion is unclear whether the \$82,000 includes the cost of attorney review and final production, or if it represents only the costs of collection and initial processing to prepare the documents for attorney review.

Because the magistrate granted plaintiffs leave to refile their motion with a more specific showing of relevance to class certification, she also addressed several other issues raised in the briefs. Among these issues, the magistrate rejected defendant’s argument that plaintiffs’ search terms were not specific enough.

The magistrate noted that defendant is in a better position to develop search terms and should narrow the terms as needed to comply with the requests. The magistrate also noted that defendant’s assertion that discovery requests were duplicative required additional refinement because the support for the argument was unclear. The magistrate then addressed cost issues and directed the parties to discuss Rule 502 in any future production and cost discussions.

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**Burden shifted for marginally relevant metadata**

“Metadata has become ‘the new black,’ with parties increasingly seeking its production . . . regardless of its size or complexity,” observed the magistrate in *Aguilar v. Immigration & Customs Enforcement Division of the U.S. Dep’t of Homeland Security*, 255 F.R.D. 350 (S.D.N.Y. 2008). The magistrate provides an overview of metadata, including some history of its discussion within case law and secondary sources. The magistrate also describes the different types of metadata—“substantive,” “system,” and “embedded”—and provides generalizations about the relevance of metadata associated with different categories of electronically stored information (ESI).

Applying these observations and principles to the facts, the magistrate ordered some categories of metadata produced, denied plaintiffs’ request for the production of other categories of metadata and made the production of one “marginally relevant” category conditional on the plaintiffs’ payment of all costs associated with the production.

In this civil rights class action, the plaintiffs sought production of ESI to support their claim that the defendant Immigration & Customs Enforcement Division of the Department of Homeland Security (ICE) unlawfully searched their homes. Plaintiffs did not specify the form of production in their original request and did not make a formal request for metadata until more than three months later when defendants had already substantially completed their collection efforts.

Recognizing the importance of the timing of plaintiffs’ requests and weighing the burdens and benefits of production of different categories of ESI, the magistrate directed ICE to produce e-mail metadata to the extent available from the initial collection effort by ICE’s Office of the Principal Legal Advisor, directed ICE to re-produce spreadsheets that ICE had already indicated a willingness to reproduce in native format, and directed ICE to produce metadata for word processing and presentation software files “if the Plaintiffs agree to pay the costs associated with producing those files a second time.”

**W A I V E R****No waiver for vendor’s inadvertent production against party’s instructions**

Applying Federal Rule of Evidence 502, the magistrate in *Heriot v. Byrne*, 2009 WL 742769 (N.D. Ill. Mar. 20, 2009), held that a vendor’s inadvertent production of privileged documents did not waive privilege protection. The plaintiff had conducted an adequate privilege review before turning documents over to its vendor and directed the vendor not to produce the documents that were identified as privileged.

The magistrate determined that the vendor’s production of privileged documents did not result in waiver because parties should be able to rely on their vendor to faithfully carry out the instructions given.

Plaintiff did not discover the error until preparing for a deposition nearly two months after production of the privileged documents. The magistrate found, however, that plaintiff took reasonable steps to rectify the error by notifying defendants within 24 hours of the discovery, by immediately asserting the privilege and by requesting

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destruction. The magistrate noted that “*how* the disclosing party *discovers and rectifies* the disclosure is more important than *when* after the inadvertent disclosure the discovery occurs.” Thus, the attorney-client privilege was not waived.

*Practice note:* When analyzing Rule of Evidence 502, the magistrate determined that the rule is flexible enough to accommodate prior privilege case law. The magistrate relied on such case law to determine that Rule 502’s three elements—inadvertent disclosure, reasonable steps to prevent disclosure and reasonable steps to rectify the error—had been met.

### THIRD-PARTY DISCOVERY

#### Third-party subpoena to plaintiff’s mother allowed

In *Hoover v. Florida Hydro, Inc.*, 2008 WL 4467661 (E.D. La. Oct. 1, 2008), *motion for reconsideration denied*, 2009 WL 586507 (E.D. La. March 6, 2009), plaintiff’s arguments of undue burden and attorney-client privilege did not persuade the magistrate to quash a *subpoena duces tecum* issued to the plaintiff’s mother.

This case concerned a dispute over whether the parties had an agreement to exchange stock ownership for certain services. Defendant Florida Hydro subpoenaed plaintiff Hoover’s mother, Mary Catherine, for deposition with a command to permit inspection of her “computer, flash drive, hard drive, PC or other electronic data storage for documents copied, sent to, or received by her son [relating to the matter.]” The request’s relevance was not questioned since Mary Catherine had already declared that she received multiple phone calls, faxes, e-mails and packages in Louisiana from Florida Hydro and that she sent information to potential investors. Hoover was also a user of Mary Catherine’s computer. Hoover objected to the subpoena, arguing that it was unwarranted, unduly burdensome, sought to harass his witness, and violated the attorney-client privilege.

The magistrate determined that Hoover had standing to object since the requested discovery concerned his personal interest. In the magistrate’s analysis of Rule 34, however, Mary Catherine’s failure to object to the subpoena and Florida Hydro’s offer to pay for expenses (not including attorney’s fees) undermined Hoover’s argument that the discovery was unduly burdensome. The magistrate then determined that a proper inspection protocol would be sufficient to protect Hoover from issues involving attorney-client privilege. The magistrate ordered Florida Hydro to prepare and exchange a protocol for the inspection, with any irreconcilable differences about the protocol to be resolved by the court.

### PROTECTIVE ORDERS

#### Protective order required return of disk drive

The plaintiff was unsuccessful in his attempt to keep a disk drive that was produced subject to a protective order in *Berry v. Hawaiian Express Service, Inc.*, 2008 WL 5234257 (D. Haw. Dec. 16, 2008). In this copyright dispute, defendant C & S Wholesale Grocers,

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Inc. (C & S)—a party that purchased the wholesale operations of the infringing defendant, “Fleming,” but was not found individually liable for infringement—filed a motion to enforce a protective order that required the return of the disputed disk drive.

Plaintiff objected that C & S did not have standing to enforce the protective order, he needed the disk drive to enforce an injunction related to his copyright, the drive was relevant to bankruptcy proceedings involving defendant Fleming, and the drive was not properly identified as being subject to the protective order. C & S countered that counsel knew the drive was produced under the protective order, the drive did not contain anything belonging to plaintiff, it did contain communications between its attorneys and individuals who are now its employees, it contained nothing relevant to the stipulated injunction, and plaintiff sought to retain it for harassment and annoyance.

The magistrate did not find plaintiff’s arguments persuasive. Although defendant Fleming had hired the vendor who processed the disk drive for production, the drive was in C & S’s control when it was produced and it was produced by counsel for C & S (who was also counsel for Fleming’s bankruptcy trustee), so C & S had standing to enforce the order.

Although the drive may not have had the proper “sticker” identifying it as subject to the protective order, the protective order contained explicit reference to the files on the drive that were part of a list of suspect files submitted by the plaintiff. Therefore, the magistrate concluded that the drive was subject to the protective order and granted C & S’s motion to enforce it.



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