

Help Has Arrived...Sort Of: The New E-Discovery Rules

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Rule 1 of the Federal Rules of Civil Procedure contains the noble goal that the civil rules should foster the “just, speedy, and inexpensive” determination of every action. When Rule 1 was drafted, personal computers were the vision of sci-fi flick directors. E-discovery was without the lexicon of litigators. Today, personal computers are ubiquitous. Metadata may be outcome determinative. In a growing number of cases, e-discovery is eviscerating Rule 1. Parties are spending enormous amounts of time and money in document discovery looking for electronic documents that are responsive to discovery requests. In some cases, electronic information being sought may only be found on difficult-to-access backup tapes. In other cases, parties are retaining backup tapes at enormous cost with no assurance that the backup tapes contain discoverable information. Parties that broadly seek electronic information from such sources have been required in some matters to pay the producing party for the cost of production. In an era where auto-delete programs recycle electronic information routinely, parties that do not pay attention to preservation obligations are finding themselves sanctioned. And every party is focused on protecting privileged documents that may not be easily, or at least inexpensively, discerned and segregated in gigabytes or worse, terabytes, of electronic information.

Some of these problems result from no, or poor, communications between lawyers and their clients and between, or among, counsel of record. Some of them result from the development of rules in the paper world that are not easily transferable to the digital world. Whatever the reasons, the explosion of e-discovery case law the past three years has been accompanied by stop-gap local rules in various district courts which are not necessarily consistent and may be unreasonable. If this area of the law could speak but one word, it would be, “HELP!”

The Committee on Rules of Practice and Procedure of the Judicial Conference of the United States heard the plea and recommended to the Supreme Court that it adopt changes to a number of the civil procedure

discovery rules to address e-discovery.¹ The Supreme Court accepted the recommendation and Congress did not object to the rules. Hence, the revised rules became effective December 1, 2006.²

As the discussion below shows, the changes are modestly ameliorative, will not eliminate cost-shifting debates, and will not provide sanctions protection to litigants who do not develop meaningful electronic document preservation practices.

THE PLACE TO START – WHEN COUNSEL CONFER UNDER RULE 26(F) FOLLOWED BY THE RULE 16(B) SCHEDULING ORDER

Recognizing the importance of early attention to e-discovery issues, consciousness-raising changes occur in Rules 26(f) and 16. Rule 26(f) has also required parties to confer to consider the nature and basis of their claims and defenses, consider settlement, make or arrange for disclosures required by Rule 26(a)(1), and develop a discovery plan. The amendments have added one more item to the litany of subjects to be considered during this conference: “to discuss any issues relating to preserving discoverable information.”³

The discovery plan contemplated by Rule 26(f) also contain new paragraphs (3) and (4) to provide the district court with the parties’ views and proposals concerning:

(3) any issues relating to disclosure or discovery of electronically stored information,⁴ including the form or forms in which it should be produced;⁵

(4) any issues relating to claims of privilege or of protection as trial-preparation material, including – if the parties agree on a procedure to assert such claims after production⁶ – whether to ask the court to include their agreement in an order.⁷

¹ See <http://www.uscourts.gov/rules/Reports/ST09-2005.pdf> (hereafter “Revised Rule”). The Standing Committee approved the Report of the Advisory Committee on the Federal Rules of Civil Procedure dated May 27, 2005 (revised July 25, 2005) (hereafter, “Advisory Committee Report”). The Advisory Committee Report can be found at Appendix C in the above link (page 86 of 332) and is cited here as “Rules App. C-.”

² The Supreme Court accepted the revisions and transmitted them to Congress on April 12, 2006. <http://www.uscourts.gov/rules/newrules6.html>. Congress had seven months within which to act as provided by law but did not act, so the revised rules went into effect on December 1, 2006. 28 U.S.C. § 2074. See, generally, <http://www.uscourts.gov/rules/#standing0106>.

³ Parties should recognize that the duty to preserve may arise long before the Rule 26(f) conference as is illustrated by *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212 (S.D.N.Y. 2003) (*Zubulake IV*) and *Stevenson v. Union Pacific Railroad Company*, 354 F. 3d 739 (8th Cir. 2004). See, generally, Barkett, *The Pre litigation Duty to Preserve: Look Out!* (Section of Litigation, ABA Annual Meeting, August 5, 2005, Chicago, IL). It should also be obvious that attorneys must comprehend client electronic information systems beforehand to participate meaningfully in the Rule 26(f) conference.

⁴ “Electronically stored information” is not, by design, defined with any precision in the new rules, Rules App. C-74, but it is intended to be broad. The Advisory Committee used the Committee Note under Rule 34(a) as the vehicle to communicate this message with respect to all references to “electronically stored information” in Rules 16, 26, 33, 34, or 37. The Committee Note to Rule 34(a) explains, “Rule 34(a)(1) is intended to be broad enough to cover all current types of computer-based information, and flexible enough to encompass future changes and developments.” It then states: “References elsewhere in the rules to ‘electronically stored information’ should be understood to invoke this expansive approach. A companion change is made to Rule 33(d), making it explicit that parties choosing to respond to an interrogatory by permitting access to responsive records may do so by providing access to electronically stored information. More generally, the term used in Rule 34(a)(1) appears in a number of other amendments, such as those to Rule 26(a)(1), 26(b)(2), 26(b)(5)(B), 26(f), 34(b), 37(f) and 45. In each of these rules, electronically stored information has the same broad meaning it has under Rule 34(a)(1). References to ‘documents’ appear in discovery rules that are not amended, including Rules 30(f), 36(a), and 37(c)(2). These references should be interpreted to include electronically stored information as circumstances warrant.” Rules App. C-74-75.

⁵ The form of production can be expected to be an issue as software and hardware change. See, e.g., *Byers et al. v. Illinois State Police et al.*, 53 Fed. R. Serv. 3d 740 (N.D. Ill. 2002) (producing party no longer possessed software to read backup tapes). As discussed below, revised Rule 34 attempts to address how parties should address the form or forms of production for electronically stored information.

Proceeding sequentially to the Rule 16 scheduling order, the amendments add new paragraphs (b)(5) and (6) that permit the Rule 16 Scheduling Order to include in parallel: “(5) provisions for disclosure or discovery of electronically stored information”; and “(6) any agreements the parties reach for asserting claims of privilege or of protection as trial-preparation material after production.”

Were these changes necessary? Absolutely. In the 21st century, information is electronic and electronic information is dynamic. Lawyers who are not tackling the issue of electronic discovery when suit is reasonably anticipated run the risk of meaningful and potentially costly discovery conflict when litigation is filed,⁸ apart from the potential for sanctions if electronic document preservation obligations are not satisfied.⁹ Lawyers who have properly addressed e-discovery concerns immediately after filing, and pre-filing where necessary, will find these changes welcome and advantageous.

In response to these changes, litigants’ counsel, at a minimum, should develop an early checklist (a) to identify a client’s universe¹⁰ of electronically stored information,¹¹ (b) determine what is accessible and what is not

⁶ See *Rowe Entertainment, Inc. v. The William Morris Agency, Inc. et al.*, 205 F.R.D. 421, 432-33 (S.D.N.Y. 2002) where the magistrate judge proposed a “clawback” procedure so that the privilege could be asserted by the responding party after production and review of electronic documents by the requesting party. A motion to reverse the magistrate judge’s order on cost-shifting was denied by the district court. 2002 U.S. Dist. Lexis 8308 (S.D. N.Y. May 8, 2002).

⁷ Form 35, “Report of Parties’ Planning Meeting,” which explains the parties’ discovery plan contains conforming changes that follows the language in revised Rule 26(f)(3) and (4).

⁸ See, e.g., *Evolution, Inc. v. The Suntrust Bank et al.*, 2004 U.S. Dist. LEXIS 20490 (D. Kan. 2004). After several unsuccessful attempts to resolve electronic discovery disputes between the parties over source code and database files, the magistrate judge appointed a special master who was directed to travel to defendants’ place of business in Florida with a laptop and removable hard drives to obtain source code, executable files, and databases requested by plaintiff. The special master accomplished his mission and issued a report. To vindicate plaintiff’s entitlement under Rule 37(a)(4)(C) to its reasonable expenses incurred in relation to the motion to compel which ultimately resulted in the master’s appointment, the magistrate judge charged defendant with a larger percentage of the special master’s fees because of defendant’s lack of initial cooperation. The magistrate judge quoted from the master’s report: “had defendants provided [the level of cooperation provided during the Special Master’s July 13-15, 2004 site visit] over a year ago, plaintiff’s motion to compel and the Court’s appointment of the Special Master would not have been necessary.” *Id.* at *11. The special master’s fees were \$52,140. Separately, the special master had recommended that 80% of his fees be apportioned to the defendant because “the circumstances which necessitated the majority of the time spent on this matter are directly attributable to defendants’ representations and lack of cooperation prior to the trip to Florida and delays since returning from Florida.” The magistrate judge treated this statement as a finding of fact, engaged in a *de novo* review, and allocated 70% of the master’s fees to defendant because of plaintiff’s role in the “protracted and highly contentious discovery dispute” and because of a series of “mutual” misunderstandings and miscommunications which “exacerbated the amount of work and time spent” by the special master. *Id.* at *18. The changes in Rule 26 to promote communication and cooperation are designed to minimize the likelihood of comparable situations in the future.

⁹ Digital data disappears too rapidly; dilatory and incomplete communication invites Rule 37 sanctions. Therefore, it is incumbent upon litigants to communicate meaningfully with IT personnel, including third-party vendors, who manage a litigant’s electronic information systems. See, e.g., *Keir et al. v. UnumProvident Corp.*, 2003 U.S. Dist. LEXIS 14522 (S.D.N.Y. Aug. 22, 2003). The district court found that neither UnumProvident’s enterprise security architect, Hyler, nor its IBM service representative, Tucker, “had sufficient expertise to discuss the preservation project in a meaningful way.” There was “insufficient supervision” of Hyler as well. “UnumProvident allowed Hyler to make critical decisions about how much and what email should be preserved pursuant to UnumProvident’s legal obligations. In the end, Hyler made his decision based on inaccurate information.” As a result certain data was not preserved. Making matters worse, after the district court entered a preservation order, UnumProvident failed to advise IBM properly of the need to preserve data covered by the order and did not transmit the order to IBM for 17 days. Compounding the digital nightmare, IBM had inadvertently reset certain settings when it created a data snapshot in December prior to entry of the preservation order, resulting in backup tapes in offsite storage being recalled, reused, and overwritten earlier than they should have been. As a result, there followed two months of discovery, an evidentiary hearing, briefing, and oral argument to determine if the preservation order had been violated. The district court ultimately found that data was lost due to “the fault of no one” as a result of IBM’s actions, the amount of prejudice to plaintiffs could not yet be determined, and UnumProvident was not sufficiently diligent in complying with the preservation order.

¹⁰ That universe should include, among others, intranet site pages if a site exists, laptop computers of key players (if used), home computers of key players (if used), personal digital assistants, flash drives, text messages, instant messages, archived files on hard drives of computers of key players, CDs, DVDs or floppy disks containing relevant information (if they have been created), and depending upon the circumstances, voice mail. Cf. *Ball et al. v. Versar, Inc.*, 2005 U.S. Dist. LEXIS 24351 (S.D. Ind. Sept. 23, 2005) (granting access to defendant to “all work and home computer systems known to have been used” by one of the plaintiffs from 1996 to September 2004 for inspection and analysis by defendant’s technical consultant).

reasonably accessible and why, (c) evaluate the breadth of electronically stored privileged information, (d) determine the schedule of recycling or auto-delete programs, and, (e) generally, determine what approach to take at the Rule 26(f) meeting in relation to all of these issues.¹² Litigants with mutual e-discovery concerns are likely to reach agreement on how they should proceed. Where there is an imbalance in the burden and cost of e-discovery among litigants, proper use of Rule 26(f) and informed discussion with the district court at the Rule 16 conference will likely be the best vehicles for litigants to control the cost of e-discovery and blunt an opponent's effort to use e-discovery as a litigation sword.¹³

DISCOVERY INTO INACCESSIBLE SOURCES OF ELECTRONICALLY STORED INFORMATION UNDER NEW RULE 26(B)(2)

Normally, the producing party pays for the cost of production. A considerable body of e-discovery case law has developed, however, challenging this presumption. Typically, cost-shifting relates to demands for production of inaccessible electronically stored information. It can be quite expensive to search and retrieve responsive documents from thousands of backup tapes. In essence, in deciding whether to shift costs, courts have balanced the likelihood of finding responsive information, the importance of the information to the issues in controversy, the availability of the information from other sources, and the costs of the search.

¹¹ Litigants' counsel should be alert to a client's changes to its computer systems. *Cf. Tracy v. Financial Ins. Mngmnt. Corp.*, 2005 WL 2100261 (S.D. Ind. August 22, 2005) (sanctioning a defendant for a belated electronic production that was "not substantially justified"; the defendant had physically upgraded its computer system and had failed to produce e-mails in a timely manner because, due to the upgrades, the e-mails were stored in a different location that was not initially searched). Counsel should also be alert to the right of access a client may have to relevant electronic information in the possession of a third party. *Cf. Kamatani v. BenQ Corp.*, 2005 WL 2455825 (E.D. Tex. October 4, 2005) (finding within the control of defendant unproduced electronic documents in the possession of a nonparty 49% of whose shares were owned by defendant, and determining that defendant had a right of access to technical documents in the possession of a third party); *The Procter & Gamble Co. et al. v. Haugen et al.*, 427 F.3d 727 (10th Cir. 2005 (involving demands for access to electronic market share information from a third-party vendor). Also, counsel must be vigilant in ensuring that clients inventory electronically stored information immediately and thoroughly, and they should allow, as may be permissible, for the potential to discover electronically stored information in places not theretofore known. Any lawyer who doubts this advice should read *Coleman (Parent) Holdings, Inc., v. Morgan Stanley & Co., Inc.*, Case No. 502003 (March 1, 2005 15th Jud. Cir. Fla.) and the later decision of the same court dated March 23, 2005, <http://www.lexisnexis.com/applieddiscovery/lawlibrary/Order.pdf>. Plaintiff claimed that Morgan Stanley, a financial advisor to Sunbeam, had made material representations in connection with plaintiff's sale of its 82% interest in Coleman to Sunbeam in 1998 in exchange for Sunbeam stock. Sunbeam later filed for bankruptcy. The March 1, 2005 decision resulted in an adverse instruction (among other sanctions). The March 23 decision resulted in entry of a default judgment with the circuit court directing that the liability allegations of the complaint "shall be read to the jury and the jury instructed that those facts are deemed established for all purposes in this action." Both decisions were based on extensive findings of fact made by a very upset circuit court judge ("The judicial system cannot function this way." March 23 Order, p. 16 (emphasis in the original)). Morgan Stanley had not only failed to locate and search all of its backup tapes in a timely fashion, but had untruthfully certified compliance with an order that it had found them all. Then, based on the circuit court's findings, Morgan Stanley engaged in deliberate efforts to mislead the plaintiffs and the court about compliance with its electronic and non-electronic discovery compliance. Given the sanctions, it was no surprise that the jury awarded plaintiff \$604,334,000 in compensatory damages and \$850,000,000 in punitive damages. http://www.lexisnexis.com/applieddiscovery/lawlibrary/CHP_MorganStanley_VerdictForm.pdf. As this case dramatically illustrates, judges will be unforgiving (the circuit court also revoked the *pro hac vice* admission of one of Morgan Stanley's outside counsel), if clients and their lawyers do not communicate truthfully and, among other things, if misrepresentations are made before the court about the completeness of a search and court production orders are violated.

¹² What role will consultants play in the Rule 26 meet and confer session? Consider the holding in *Crown Park Corp. v. Dominican Sisters of Mary Mother of the Eucharist*, 2006 U.S. Dist. LEXIS 19739 (E.D. Mich. April 24, 2006). Plaintiff had sought an *ex parte* preservation order, which was denied by the magistrate judge. The magistrate judge instead ordered each party to appear at the meet and confer with an electronic document consultant who had sufficient knowledge of each party's electronic documents to enable the parties to participate in "a good faith effort to resolve all issues regarding the production of electronic documents without court action." *Id.* at *3-4. The consultants would not be subject to discovery without the district court's permission unless either provides testimony on an issue in which case discovery would be permitted limited to that issue. If the parties could not agree on a preservation plan, they were to submit to the magistrate judge for resolution a statement of unresolved issues together with each party's proposed resolution of the issues *Id.* at 4.

¹³ As important "location" is in real estate, the key to the success of the new rules might be summarized in one word, "communication" as in communication with the client, communication with opposing counsel, and communication with the court, or what I call "C3C."

New Rule 26(b)(2)(B),¹⁴ the focal point of the cost-shifting case law, incorporates the “accessibility” concept from *Zubulake I*¹⁵ in establishing this guidance for the district courts:

A party need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or for a protective order, the party from whom discovery is sought must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for such discovery.

The revised rule establishes obligations. First, the producing party must identify the sources of electronically stored information that are “not reasonably accessible” because of “undue burden or cost.” The Advisory Committee’s Report gives examples of sources of electronically stored information that may qualify under this standard:

Examples from current technology include back-up tapes intended for disaster recovery purposes that are often not indexed, organized, or susceptible to electronic searching; legacy data that remains from obsolete systems and is unintelligible on the successor systems; data that was “deleted” but remains in fragmented form, requiring a modern version of forensics to restore and retrieve; and databases that were designed to create certain information in certain ways and that cannot readily create very different kinds or forms of information.

Rules App. C-42.

In the formation of the defense against demands to search reasonably inaccessible information, it is logical, and may be necessary, for a litigant to evaluate whether it can be demonstrated that all responsive information is available from reasonably accessible information. The Advisory Committee Report refers to this approach as a “two-tier system”: “Lawyers sophisticated in these problems are developing a two-tier practice in which they first sort through the information that can be provided from easily accessed sources and then determine

¹⁴ The first sentence of current Rule 26(b)(2) is the new Rule 26(b)(2)(A). The rest of the current Rule 26(b)(2) becomes Rule 26(b)(2)(C).

¹⁵ *Zubulake v. UBS Warburg LLC*, 217 F.R.D. 309, 318 (S.D.N.Y. 2003) (*Zubulake I*). The district court held that data which is (1) “online” or archived on current computer systems (such as hard drives), (2) “near-line” such as that stored on optical disks or magnetic tape that is stored in a robotic storage library from which records can be retrieved in two minutes or less, or (3) “off-line” but in storage or archives, such as removable optical disk (e.g., CD-ROM or Digital Versatile Disc (DVD)) or magnetic tape media (e.g., Digital Linear Tape (DLT)), are readily accessible using standard search engines because the data are retained in machine readable format. 217 F.R.D. at 318-320. On the other hand, (4) routine disaster recovery backup tapes that save information in compressed, sequential, and nonindexed format, and (5) erased, fragmented, or damaged data, are generally inaccessible, because a time-consuming, expensive restoration process is required to obtain information. 217 F.R.D. at 319-320.

whether it is necessary to search the difficult-to-access sources.” Rules App. C. 42.¹⁶ Whether judges will become sophisticated in these problems may play a larger role in the outcome of disputes over accessibility.

Note that the responding party must identify the sources that are not accessible because of “undue burden or cost.” Cost is a relative term in this context. A \$25,000 cost where the amount in controversy is \$50,000 would be an “undue cost.” It may not be an “undue cost” in a dispute over \$500,000, or \$5,000,000. Even if costs are not “undue,” the burden of searching some kinds of information may be “undue.” What is an “undue burden”? It is whatever a judge decides it is. Litigants can expect courts to develop balancing tests to determine when a burden “tilts” in favor of the requesting party (e.g., because there is a strong likelihood that material information is located only on the inaccessible storage media) or the producing party (e.g., the overbreadth of the request for information is blatant).

What should a producing party do if the producing party reasonably believes that “inaccessible” sources of electronic information do not contain any bytes of data that are responsive to a discovery request (as opposed to a belief that there is responsive information that is not reasonably accessible)?¹⁷ Can the producing party say nothing for this reason about the sources of electronically stored information that it believes are not reasonably accessible? What happens if it is later demonstrated through discovery that the producing party was wrong and that such sources contain responsive information?¹⁸ Has there been a failure to identify a source that is not reasonably accessible because of undue burden or cost--in effect, a waiver--such that a motion to compel that is filed must be granted? Or can the producing party still seek to make a showing of “undue burden or cost”?

In the paper world, the producing party has the opportunity to review categories of documents, verify they are not responsive, and produce only what is responsive. In the electronic world, that option is not available in the case of reasonably inaccessible data. If a litigant looks, the claim of “inaccessibility” may be lost. Even though it will likely generate debate over “undue burden and cost” and may unreasonably add to the cost of

¹⁶ This apparently is not always the case. In *Quinby v. Westlb AG*, 2005 U.S. Dist. LEXIS 33583 (S.D.N.Y. Dec. 15, 2005), plaintiff moved for sanctions because defendant focused on backup tapes in responding to requests for production. Defendant had this focus because the backup tapes contained the most complete source of e-mails and alternative sources (accessible files) “only cover a narrow time frame, a limited number of users and the data on these sources can be incomplete.” *Id.* at *25. The cost to restore the backup tapes and produce the information was estimated to be \$500,000. On the motion for sanctions, the magistrate judge found that defendant’s approach was reasonable saying that if defendant had suggested using the accessible but incomplete data, “plaintiff would probably take defendant to task for limiting its search to a source that defendant knew was not the most complete.” *Id.* The court added that the fact that “defendant is producing e-mails from the most complete, but most expensive, source is compelling evidence of defendant’s honesty and good faith.” *Id.* at *28. That good faith, however, was apparently not going to result in a significant shift in the costs of production (defendant had separately moved to shift the e-discovery costs to plaintiff): “Assuming for the purposes of the sanctions motion that defendant’s cost-shifting motion is granted, defendant will likely have only a portion of the fees shifted to plaintiff.” *Id.* at *28 n.11. See also *Consol. Aluminum Corp. v. Alcoa, Inc.*, 2006 U.S. Dist. LEXIS 66642, *18, n. 12 (M.D. La. July 19, 2006) (Email older than 30 days were moved to System Cleanup folder and all messages older than 15 days in the System Cleanup folder were moved from the user’s folders to backup which was retained for a trailing six month period, in effect meaning that relevant information was likely only discoverable from backup tapes).

¹⁷ Whether a party could reasonably hold such a belief would depend upon the scope of the discovery request and the type of inaccessible information. The Advisory Committee Report could be read to presuppose that inaccessible information contains responsive information when it states, “The responding party must disclose categories and types of sources of potentially responsive information that are not searched, enabling the requesting party to decide whether to challenge that designation.” Rules App. C-44.

¹⁸ Such a showing might occur because discovery revealed that the producing party failed to identify the sources of difficult-to-access information that were not searched, deponents testified about documents stored electronically that were material, accessible sources of electronic information did not contain the documents, and backup storage systems likely contained them.

litigation, it seems likely that most litigants will opt to identify the inaccessible sources rather than run the risk of a waiver argument.¹⁹

If that is an accurate prediction, then after a preservation obligation arises, lawyers must, at a minimum, inventory their clients' electronic document-retention habits and be prepared to conduct a sufficient interrogation to assure themselves that they know all of the sources of information that can be labeled as not reasonably accessible "because of undue burden or cost." That is because it is more likely that the issue of "sources" of inaccessible information will first arise at the Rule 26(f) conference²⁰ either as a matter of routine or tactically, and the discussion will continue at the Rule 16 conference. It is in this early dialogue that parties will be best able to enlist the district court's assistance in developing a sensible approach to discovery of electronically stored information claimed to be inaccessible.

The revised rule provides for alternative ways to test the assertion of undue burden or cost. The producing party can seek a protective order,²¹ or the requesting party can move to compel production. Who has the burden of persuasion? The revised rule places that burden on the producing party. That party must show that the information is not reasonably accessible "because of undue burden or cost." Suffice it to say that lawyers seeking to satisfy this standard, at a minimum, will have to become quite familiar with their clients' information technology systems and personnel; will likely require expert assistance; must be well versed in what electronic information has already been, or will be, produced from "accessible" sources; and should know, objectively, what the costs will be of responding to the requesting party's production demand.

May a requesting party seek discovery to test the sufficiency of the producing party's explanations? Will the district courts hold evidentiary hearings? This is what the Advisory Committee Report says on these subjects:

[The Committee Note] recognizes that in some cases a single proceeding may suffice both to find that a source is not reasonably accessible and also to determine whether good cause nonetheless justifies discovery and to set any conditions that should be imposed. But it also recognizes that proceedings may need to be staged if focused discovery is necessary to determine the costs and burdens in obtaining the information from the sources identified as not reasonably accessible, the likelihood of finding responsive information on such sources, and the value of the information to the litigation. In such circumstances, a finding that a source is not reasonably accessible may lead to further proceedings to determine whether there is good cause to order limited or extensive searches and the production of information stored on such sources.

Rules App. C- 44.

¹⁹ The Advisory Committee Report suggested that the current practice is that "parties simply do not produce inaccessible electronically stored information" and regarded the amendment requiring the identification of sources not searched as an "improvement over present practice" because it "clarifies and focuses" the issue for the requesting party. Rules App. C-44. As long as reasonable judicial supervision occurs, the goal of "fair play" should prevail over the fear of a "fishing expedition."

²⁰ Parties often serve document requests with the complaint so that depending upon motion practice and requests for enlargements of time, in theory at least, it may be that the response to a request for production will occur before the Rule 26(f) conference.

²¹ A producing party may take this step to clarify its preservation obligations, particularly if the cost of maintaining backup tapes while waiting to see whether the requesting party moves to compel is prohibitive.

Even if a producing party demonstrates “undue burden or cost” in relation to reasonably inaccessible sources of electronic information, the district court may still order discovery “from such sources” if the requesting party shows “good cause, considering the limitations of Rule 26(b)(2)(C).” In addition, the district court “may specify conditions for the discovery.”²²

New Rule 26(b)(2)(C) is the second sentence of current Rule 26(b)(2) and provides in pertinent part:

The frequency or extent of use of the discovery methods otherwise permitted under these rules and by any local rule shall be limited by the court if it determines that:

(i) the discovery sought is unreasonably cumulative or duplicative, or is obtainable from some other source that is more convenient, less burdensome, or less expensive;

(ii) the party seeking discovery has had ample opportunity by discovery in the action to obtain the information sought; or

(iii) the burden or expense of the proposed discovery outweighs its likely benefit, taking into account the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the litigation, and the importance of the proposed discovery in resolving the issues.

Is good cause limited to the considerations listed in Rule 26(b)(2)(C)? This language in the Advisory Committee Report might be read to suggest that this was the intent of the Advisory Committee: “Many comments suggested that the ‘good cause’ standard seemed to contemplate the limitations identified by parts

²² See *In re: Priceline.Com Inc.*, 2005 U.S. Dist. LEXIS 33636, *17 (D. Conn. Dec. 8, 2005) for one court's iterative process in handling production of electronic information. The district court set forth nine “directives” to guide production. Among the directives, defendant was to retain possession of the original data through restoration, data management, and document review. In another directive, the district court ordered that restoration of 223 backup tapes (estimated to cost \$200 to \$800 per tape in addition to the cost of searching the files, culling for duplicate files, and converting responsive files for production) “shall proceed on a measured basis, with cost-shifting determinations made at each step of the process.” *Id.* at *11. The parties were ordered to meet and confer “in an attempt to identify which backup tapes should be restored.” Defendants were to restore tapes agreed upon and were permitted to file a motion to shift the cost of restoration “either once the restoration has been completed or once a firm estimate of the cost of doing so has been generated.” *Id.* at *13. Where the parties could not agree, the district court said it would resolve disagreements by motion. The district court indicated it would be guided by the “justification” for restoring a particular tape. In a third directive, no party shall waive any privilege claims by virtue of producing “an inventory, spreadsheet, or other survey of the contents of an item upon which data is stored.” And in another directive, the district court directed that all electronically stored information should be produced by defendants in Tagged Image File Format (TIFF) or Portable Document Format (PDF) “with Bates numbering and appropriate confidentiality designations.” Defendants also had to produce “searchable metadata databases, and shall maintain the original data itself in native format for the duration of the litigation.” *Id.* at *13-14. This directive was applied to information from a snapshot (a backup of servers on a date certain), departed employee e-mail backup tapes, and restored from backup tapes. *Id.* at *15. Defendants were instructed to record their methodology for excising duplicate files, looking for responsive information, and reviewing responsive documents for privileged documents and to share it with plaintiffs who could argue for “the inclusion of more data if appropriate” and should have input on search terms. “The court will not dictate exactly how defendants should accomplish these tasks, but defendants' choices will be subject to review should they elect to seek cost-shifting relief.” *Id.* at * 14. The district court said that if any party seeks relief concerning the scope of information searched or produced, information that is not in dispute should be produced without delay; that status reports were to be filed monthly setting forth the status of production, and that cost-shifting would be governed by the standards contained in what was then “proposed” Rule 26(b)(2). *Id.* at *15-17.

(i), (ii), and (iii) of present Rule 26(b)(2). The revised text clarifies the ‘good cause’ showing by expressly referring to considerations of these limitations.” Rules App. C-43.²³

On the other hand, the Committee Note to the Rule proceeds to list other “appropriate considerations” for the district court to consider saying they may “include”:

1. the specificity of the discovery request;
2. the quantity of information available from other and more easily accessed sources;
3. the failure to produce relevant information that seems likely to have existed but is no longer available on more easily accessed sources;
4. the likelihood of finding relevant, responsive information that cannot be obtained from other, more easily accessed sources;
5. predictions as to the importance and usefulness of the further information;
6. the importance of the issues at stake in the litigation; and
7. the party’s resources.

The cost-shifting case law has focused on the “conditions for the discovery” of electronically stored information from sources that are not reasonably accessible.²⁴ Under the new rules, cost-shifting battles will continue to be fought not only under the standards set forth in Rule 26(b)(2)(C) and the considerations set forth in the Committee Note, but also apparently under the various standards set forth in the existing case law on cost-shifting to the extent that they are not already an included “appropriate consideration.”²⁵ Given the new language in Rule 26(b)(2)(B), cost-shifting demands will likely thrive, and the cost-shifting case law will continue to burgeon.²⁶ And since motion practice over cost-shifting can itself become quite expensive, it

²³ The timing of a good-cause argument may affect its outcome. For example, presumably a producing party will know who its “key players” are early in the discovery process and will have learned their storage habits. If “key players” of the responding party have archived e-mails on the hard drives of their personal computers or otherwise preserved electronic information so that the information that is inaccessible would be merely duplicative, good cause would not exist or the requesting party may find itself paying for the production. But the producing party may not be thorough in its determinations of key players’ storage habits, the definition of key players may expand as a case proceeds, or the requesting party may not learn the habits of key players without first deposing them. The sequencing of different forms of discovery thus may affect the outcome of a good-cause motion as well as the opportunity to renew such motions. And in the latter case, producing parties may find themselves having to preserve inaccessible storage media and, at some point, asking the district court for permission to reuse or recycle them. For an example of the risk associated with an expanded “key player” list, see *Consol. Aluminum Corp. v. Alcoa, Inc.*, 2006 U.S. Dist. LEXIS 66642 (M.D. La. July 19, 2006). In this case, Alcoa had initially sent a demand letter in 2002 and preserved electronically stored information relating to four key players. Plaintiff sued first a year later. In 2005, plaintiff propounded discovery that prompted Alcoa to expand its key player list by eleven more names. It was not until this expansion that Alcoa suspended its janitorial email deletion policy and backup tape maintenance policy. The district court declined to impose an adverse inference instruction sanction on Alcoa, but ordered Alcoa to bear the cost of re-deposing the eleven new key players, among others, as well as “any other employees of Alcoa later determined to be ‘key players’ in this litigation whose emails have not been preserved” and to pay the costs and fees associated with the motion for sanctions and “in investigating and attempting to obtain the discovery in issue.” *Id.* at *36.

²⁴ See, e.g., *Zubulake v. UBS Warburg LLC*, 217 F.R.D. 309 (S.D.N.Y. 2003) (*Zubulake I*) and *Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280 (S.D.N.Y. 2003) (*Zubulake III*) (shifting 25 percent of the cost of production to the requesting party); *Rowe Entertainment, Inc. v. William Morris Agency, Inc.*, 205 F.R.D. 421 (S.D.N.Y. 2002) (shifting 100 percent of the cost of production to the requesting party); *Wiginton et al. v. CB. Richard Ellis, Inc.*, 2004 U.S. Dist. LEXIS 15722 (N.D. Ill. August 9, 2004) (shifting 75 percent of the cost of production to the requesting party); *Quinby v. WestLB AG*, 2006 U.S. Dist. LEXIS 64531 (S.D.N.Y. Sept. 5, 2006) (shifting 30% of the cost of production to the requesting party). *Cf. Analog Devices, Inc. v. Michalski*, 2006 NCBS Lexis 16 (N.C. Super. Ct. Nov. 1, 2006) (shifting 50% of the cost of production to requesting party while reserving the right to amend this ruling after the close of discovery).

²⁵ The *Zubulake*, *Rowe*, and *Wiginton* standards are discussed in Barkett, *Bytes, Bits and Bucks: Cost-Shifting and Sanctions in E-Discovery*, 71 Def. Couns. J. 334 (2004). They are, more or less, based on existing Rule 26(b)(2) (new Rule 26(b)(2)(C)) with perhaps greater emphasis on the likelihood of finding “relevant” (*Zubulake*) or “critical” (*Wiginton*) information; the importance of reasonably tailored requests (all three); and “the relative ability of each party to control costs and its incentive to do so” (all three).

²⁶ One court determined that even before they became effective, the standards contained in the revisions to Rule 26(b)(2) and related Advisory Committee Note would be used to determine the propriety of cost-shifting. *In Re: Priceline.Com Inc.*, 2005 U.S. Dist. LEXIS 33636, *17 (D. Conn. Dec. 8, 2005).

should be obvious that appropriate preparation for, and use of, the Rule 26(f) conference of counsel to address up front these e-discovery issues may offer the greatest opportunity to manage e-discovery costs.

ANSWERING QUESTIONS UNDER RULE 33(D) BY REFERENCE TO ELECTRONICALLY STORED INFORMATION

Rule 33(d) discusses the option to produce business records in lieu of answering an interrogatory, where the answer to the interrogatory may be derived or ascertained from business records, and the burden of deriving or ascertaining the answer is substantially the same for the party serving the interrogatory as for the party served. The change to Rule 33(d) defines business records as “including electronically stored information.”²⁷

Responding parties that seek to take advantage of this provision as a means to respond to an interrogatory have to be prepared to make the electronically stored information available to the requesting party. Existing Rule 33(d) already provides that a respondent has to specify the records from which the answer may be derived and afford the proponent of the interrogatory “reasonable opportunity to examine” the records and “to make copies, compilations, abstracts or summaries.” It also provides, “A specification shall be in sufficient detail to permit the interrogating party to locate and to identify, as readily as can the party served, the records from which the answer may be ascertained.” Access to hardware, software, technical support, passwords, source code, or other assistance may be necessary to satisfy this burden.

The new Committee Note to Rule 33(d) recognizes these obstacles.

A party that wishes to invoke Rule 33(d) by specifying electronically stored information may be required to provide direct access to its electronic information system, but only if that is necessary to afford the requesting party an adequate opportunity to derive or ascertain the answer to the interrogatory. In that situation, the responding party's need to protect sensitive interests of confidentiality or privacy may mean that it must derive or ascertain and provide the answer itself rather than invoke Rule 33(d).

Rules App. C-69-70.

There may be situations where a responding party can produce electronically stored information in lieu of answering an interrogatory without giving access to its electronic information system. Where that is the case, this option is now available to the responding party. Where it is not the case, a responding party is not likely to avail itself of this option because the intrusion may be too great.

REQUEST FOR ELECTRONICALLY STORED INFORMATION UNDER RULE 34 – SAMPLING, TESTING, AND THE FORM OR FORMS OF PRODUCTION

The most significant change in Rule 34 is the distinction made between “documents” and “electronically stored information.” Rule 34, as revised, provides that a party may serve a request to any other party to produce “any

²⁷ As noted earlier, and repeated in new Committee Note to Rule 33, “The term ‘electronically stored information’ has the same broad meaning in Rule 33(d) as in Rule 34(a).” Rules App. C-69. I discuss revised Rule 34(a) below.

designated documents or electronically stored information.” Rules App. C-70.²⁸ Under the revised rule, parties should be expected to make specific requests for electronically stored information²⁹ instead of relying on a broad definition of “documents.”³⁰

As a means to control and estimate costs and to evaluate the likelihood that electronic storage media contain relevant information, the changes to Rules 34(a) incorporate the “sampling” technique first applied in *McPeck v. Ashcroft*.³¹ The producing party can now be asked to permit the requesting party:

to test, or sample any designated documents or electronically stored information³²--including sound recordings, images, and other data or data compilations stored in any medium³³--from which information can be obtained, translated, if necessary, by respondent into reasonably usable form.

For parties that fear that the opportunity to test or sample might create a right of access to a party’s electronic information system generally, the Committee Note has attempted to provide assurance that the right of access is not routine and the district courts should be vigilant in controlling the exercise of the right:

The addition of testing and sampling to Rule 34(a) with regard to documents and electronically stored information is not meant to create a routine right of direct access to a party’s electronic information system, although such access might be justified in some

²⁸ The existing rule refers only to “designated documents.”

²⁹ The new Committee Note provides that the rule is designed to cover documents or electronically stored information “stored in any medium” to encompass “future developments in computer technology.” Rules App. C-74. The Committee Note explains that the intent of the Advisory Committee is that the term “electronically stored information” has both a broad meaning and the same meaning everywhere the term is used in the revised rules. *Id.* Yet, the Committee Note also provides that whether material that falls within the term should be produced and in what form, “are separate questions that must be addressed under Rules 26(b), 26(c), and 34(b).” Rules App. C-75.

³⁰ This statement may not be accurate. The Committee Note obliquely states that a Rule 34 request for production of documents “should be understood to encompass, and the response should include, electronically stored information unless discovery in the action has clearly distinguished between electronically stored information and ‘documents.’” Rules App. C-74. The Advisory Committee Report specifically explains that this portion of the Committee Note addresses concerns raised by some commenters that a party seeking production only of “documents” might not receive electronically stored information. Rules App. C-65. Presumably, a party that wishes to “clearly distinguish” between the two should do so at the Rule 26(f) conference or at the first opportunity to do so in a discovery paper and do it in a way that there is no misunderstanding that the party views the two forms of information to be distinct. On the other hand, rather than face debate over the scope of the word “document,” requesting parties presumably will add “electronically stored information” in their Rule 34 designations. Compare new Rule 33 which includes “electronically stored information” within the term “business records.” See also the Committee Note to Rule 34(a): “References to ‘documents’ appear in discovery rules that are not amended, including Rules 30(f), 36(a), and 37(c)(2). These references should be interpreted to include electronically stored information as circumstances warrant.” Rules App. C-75. Cf. *Mosaid Technologies Inc. v. Samsung Elec. Co., Ltd. et al.*, 2004 US Dist. LEXIS 25286, *11-12 (D.N.J. December 7, 2004) (rejecting an argument that “documents” does not include e-mail: “Samsung offers no good faith reason why its e-mails did not fall within the scope of the word ‘document’ as defined by Mosaid. After all, ‘e-mail’ is short for ‘electronic mail,’ which any reasonable litigant would understand qualifies as a ‘letter,’ correspondence, ‘communication’ etc.” Samsung did not help its argument that it did not realize e-mails were being sought by plaintiff by seeking e-mail in its own discovery requests, the district court also noted).

³¹ 202 F.R.D. 31, 34 (D.D.C. 2001). For an application of sampling of electronically stored information to determine the likelihood of finding relevant information and to evaluate the cost of production versus the likely benefit, see *Zubulake I, supra*; *Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280 (S.D.N.Y. 2003) (*Zubulake III*); *Medtronic Sofamor Danek, Inc. v. Sofamor Danek Holdings, Inc.*, 2003 U.S. Dist. LEXIS 8587 (W.D. Tenn. May 13, 2003); *Wiginton et al. v. CB. Richard Ellis, Inc.*, 2004 U.S. Dist. LEXIS 15722 (N.D. Ill. August 9, 2004); *Hagenmeyer North America, Inc. v. Gateway Data Sciences Corp.*, 2004 WL 1810273 (E.D. Wis. August 12, 2004).

³² The concept of testing or sampling hard-copy documents is purposeful. The opportunity to do so “may be important for both electronically stored information and hard-copy materials.” Committee Note, Rules App. C-75.

³³ The words “sound recordings, images,” “data” and “stored in any medium” are new to the parenthetical list that follows the word “documents.” As noted earlier, the Advisory Committee Note to Rule 34 explains that there is too much variety in computer systems that are in use and technological change is too rapid to attempt to create a precise definition of “electronically stored information.” Rules App. C-74.

*circumstances. Courts should guard against undue intrusiveness resulting from inspecting or testing such systems*³⁴.

Rules App. C-75.

Under Rule 34(b), the requesting party now “may specify the form or forms in which electronically stored information is to be produced.”³⁵

If the form or forms are specified in the request,³⁶ the responding party may object “to the requested form or forms for producing electronically stored information stating the reasons for the objection.” If such an objection is made, or if the form of production was not specified in the original request for production, “the responding party must state the form or forms it intends to use.”

The Committee Note properly recognizes that communication among counsel can minimize disputes in this discovery arena:

Stating the intended form before the production occurs may permit the parties to identify and seek to resolve disputes before the expense and work of the production occurs. A party that responds to a discovery request by simply producing electronically stored information in a form of its choice, without identifying that form in advance of the production in the response required by Rule 34(b), runs a risk that the requesting party can show that the produced form is not reasonably usable and that it is entitled to production of some or all of the information in an additional form. Additional time might be required to permit a responding party to assess the appropriate form or forms of production.

Rules App. C-77.³⁷

New Rule 34(b)(ii) and (iii) provide that “unless the parties otherwise agree, or the court otherwise orders,”

³⁴ Cf. *Williams v. Massachusetts Mut. Life. Ins. Co. et al.*, 226 F.R.D. 144 (D. Mass. 2005). In this case, plaintiff believed that defendant Massachusetts Mutual had possession of an e-mail which reflected that this defendant engaged in discriminatory practices. Massachusetts Mutual denied the existence of the e-mail and, following its own forensic analysis, proffered an e-mail which, it believed, was the e-mail to which plaintiff was referring (and contained no suggestion that this defendant engaged in discriminatory practices). Plaintiff sought access to Massachusetts Mutual's data storage systems to search for himself and offered to pay the costs of doing so. The district court refused this access, explaining: “Before permitting such an intrusion into an opposing party's information system--particularly where, as here, that party has undertaken its own search and forensic analysis and has sworn to its accuracy--the inquiring party must present at least some reliable information that the opposing party's representations are misleading or substantively inaccurate.” *Id.* at 146 (citations omitted). The district court, however, ordered Massachusetts Mutual to preserve electronic records searched in response to plaintiff's motion: “The court, however, will order Defendants to preserve all documents, hard drives and e-mail boxes which were searched by their forensic expert in response to Plaintiff's motion. (See Bonsall Affidavit ¶ 3.) Such an order, in the court's estimation, is not unduly burdensome and is necessary, at a minimum, to preserve Plaintiff's appellate rights.” *Id.* at 146-47.

³⁵ For example, the requesting party may request hard copy, or a CD with the information on it in searchable format, or direct access to the storage media that holds the electronic information. A party might request production in native format (e.g., Excel spreadsheet or Word documents), in TIFF (Tagged Image File Format in which non-searchable images of documents are created) or in PDF (Portable Document Format). The Committee Note recognizes that in some cases, a requesting party might request different forms of production for different types of electronically stored information. For example, a database might be treated differently from a spreadsheet or a word processing document. Committee Note, Rules App. C-76. There should be no surprises here. This is a topic for discussion by parties within the contemplation of new Rule 26(f). Committee Note, Rules App. C-76.

³⁶ One also has to assume that requesting parties will, at a minimum, always specify a form of production which is searchable to start the “bidding” and to provoke the dialogue needed to reach a sensible outcome for the litigants.

³⁷ If the form or forms of production is or are not agreed upon, the parties must confer under Rule 37(a)(2)(B) to attempt to resolve the matter before the requesting party can file a motion to compel. If the district court must resolve the dispute, the district court is “not limited to the forms initially chosen by the requesting party, the responding party, or specified in this rule for situations in which there is no court order or party agreement.” Committee Note, Rules App. C-77.

(ii) if a request for electronically stored information does not specify the form or forms for producing electronically stored information, a responding party must produce the information in a form or forms in which it is ordinarily maintained³⁸ or in a form or forms that are reasonably usable; and

(iii) a party need not produce the same electronically stored information in more than one form.³⁹

Rule 34(a) currently requires that, if necessary, a responding party must translate materials being produced into a reasonably usable form.⁴⁰ This obligation should apply facilely to “accessible” electronically stored

³⁸ Producing parties should be aware of *Williams v. Sprint/United Management Company*, 2005 WL 2401626, *15 (D. Kan. Sept. 29, 2005), where Magistrate Judge Waxse determined that language like this means that metadata must also be produced: “When the Court orders a party to produce an electronic document in the form in which it is regularly maintained, i.e., in its native format or as an active file, that production must include all metadata unless that party timely objects to production of the metadata, the parties agree that the metadata should not be produced, or the producing party requests a protective order.” See also *Nova Measuring Instruments LTD. v. Nanometrics, Inc.*, 417 F. Supp. 2d 1121, 1122 (N.D. Cal. 2006) (requiring production in native format “with original metadata”). There are opinions on the other side of this issue. *Kentucky Speedway, LLC v. Nat’l Assoc. of Stock Car Auto Racing, Inc.*, 2006 U.S. Dist. LEXIS 92028, *23-25 (E.D. Ky. Dec. 18, 2006) (finding *Williams* unpersuasive, it said instead the presumption should be against the production of metadata in the absence of a showing of particularized need, and required the requesting party to identify a particular document or documents for which it seeks metadata rather than requiring wholesale production of all metadata associated with the entire production); *Wyeth v. Impax Labs*, 2006 U.S. Dist. LEXIS 79761 (D.Del. Oct. 26, 2006) (refusing to require production of metadata in the absence of a showing of particularized need consistent with the district court’s “Default Standard for Discovery of Electronic Documents” which can be found at <http://www.ded.uscourts.gov/Announce/Policies/Policy01.htm>).

³⁹ One would think that “one form” means “one form,” but the Committee Note creates ambiguity by the use of the word “ordinarily” in describing this change: “Whether or not the requesting party specified the form of production, Rule 34(b) provides that the same electronically stored information ordinarily need be produced in only one form.” Rules App. C-78. Cf. *Zenith Electronics Corp. v. WH-TV Broadcasting Corp.*, 2004 U.S. Dist. LEXIS (N.D. Ill. 2004). WH-TV had proposed a search protocol for electronically stored information to which another party, Motorola, objected. There had been no objection to the part of the protocol that provided that files would be provided in electronic form. There was no requirement in the protocol the files would be printed. The district court compelled compliance with the protocol. Responding parties produced nineteen computer disks and printed the documents (filling up 269 boxes). After reviewing the documents for privilege, responding parties produced the nonprivileged documents in paper form. WH-TV demanded production in electronic form to see metadata associated with the documents to search the documents more easily. The district court granted WH-TV’s second motion to compel. Responding parties then engaged a consultant to search the nineteen disks to identify the file names that corresponded to the paper documents deemed to be privileged. The consultant provided the file names to WH-TV’s consultant so that these files could be redacted from the computer disks. Responding parties’ consultant then reviewed the disks to ensure that the privileged files had been removed. The “form” of production came up in the context of a motion to tax costs. Responding parties prevailed in the litigation and sought \$109,627 for the cost of printing and numbering the documents and \$182,595.47 for their consultant’s costs. The district court held that neither cost was recoverable. It held that responding parties were able to produce the documents in electronic form so that printing was done for the convenience of the responding parties and was not necessary for their production. See also *Northern Crossarm Co. Inc. v. Chemical Specialties, Inc.*, 2004 WL 635606 (W.D. Wis. March 3, 2004). In this case, plaintiff’s production request did not specify the form of production. Defendant produced 65,000 pages of hard copy. Plaintiff objected and demanded production in electronic format. The magistrate judge rejected the demand because (1) plaintiff had originally failed to specify the form of production, (2) defendant absorbed the expense of producing the 65,000 copies, and (3) there was no gamesmanship or malice involved; defendant’s attorneys always produced hard copy as a routine practice of the firm. Defendant had created CDs of the e-mails in question, but the magistrate judge did not require disclosure saying that the CDs had been made “solely for work product purposes and they are over-inclusive.” Counsel had provided affidavits “reporting that the process of re-reviewing and then producing these internal CDs would consume extraordinary amounts of time and money.” The magistrate judge said that under these circumstances, “I will not put the defendant to this expense.” *Id.* at *2. The district court in *Phoenix Four, Inc. v. Strategic Resources Corporation, et al.*, 2006 WL 1409413 (S.D.N.Y. May 23, 2006) reached a similar outcome. Defendant had offered to produce documents in “Case Vault,” a searchable format but plaintiff demanded hard copy. Phoenix later converted the hard copies into a searchable format at a cost of \$200,000, and sought reimbursement for this expenditure. The district court rejected the demand because of the initial choice made by Phoenix.

⁴⁰ Cf. *Sattar v. Motorola, Inc.*, 138 F.3d 1164, 1171 (7th Cir. 1998) (the court of appeals found reasonable the district court’s decision requiring downloading of data from 4-inch tapes to conventional computer disks or a computer hard drive, or loaning Sattar a copy of the necessary software, or offering Sattar on-site access to Motorola’s computer system to review 210,000 pages of e-mail which Sattar otherwise lacked the equipment and software to read). See also *Static Control Components, Inc. v. Lexmark International, Inc.*, 2006 WL 897218 (E.D.Ky. April 5, 2006) (where a database was maintained in a form that was not text-searchable, using software no longer commercially available, and was run on software modified for defendant’s use, a magistrate judge ordered production in “reasonably usable form.” “The Federal Rules do not permit Lexmark to hide behind its peculiar computer system as an excuse for not producing this information” to plaintiff. Production was qualified by application of the “Outside Counsel Only” provision of a protective order entered in the matter. *Id.* at *4. Defendant had sought to make the database available at its facility where information could be printed and then reviewed by defendant’s counsel for privilege, which would not be waived as part of the defendant’s proposal. Plaintiff had instead demanded a back up of the database saying it would extract what data it wanted. Subject to the apparent non-waiver clause of the protective order, plaintiff prevailed. *Id.*

information in most circumstances.⁴¹ The Committee Note recognizes that a responding party may need to provide some support to the requesting party to permit a meaningful review of electronically stored information⁴² and also cautions against using this translation obligation to frustrate discovery:

Under some circumstances, the responding party may need to provide some reasonable amount of technical support, information on application software, or other reasonable assistance to enable the requesting party to use the information. The rule does not require a party to produce electronically stored information in the form in which it is ordinarily maintained, as long as it is produced in a reasonably usable form. But the option to produce in a reasonably usable form does not mean that a responding party is free to convert electronically stored information from the form in which it is ordinarily maintained to a different form that makes it more difficult or burdensome for the requesting party to use the information efficiently in the litigation. If the responding party ordinarily maintains the information it is producing in a way that makes it searchable by electronic means, the information should not be produced in a form that removes or significantly degrades this feature.

Rules App. C-77.⁴³

One has to imagine that there will be disputes over whether the form of production by the responding party facilitates “efficient” use of the information by the requesting party and that this sentence will further provoke disputes over additional costs associated with the production. One also can imagine that blocking search features “significantly” will also be the subject of debate. Constructive communication by counsel for parties⁴⁴ and reasonable approaches to solving the problems associated with production of electronically stored

⁴¹ There may be situations where proprietary software generates “accessible” files that are not easily exportable to widely-used file formats except at a large cost. Under these circumstances, one would expect that courts will look for practical solutions that balance a litigant’s need for the information in a non-proprietary electronic format against the cost of converting it. That is the effective mandate of Rule 26(b)(2)(C). Cf. Advisory Committee Note, Rules App. C-47 (under Rule 26(b)(2), relevant, non-privileged, and reasonably accessible electronically stored information should be produced “subject to the (b)(2)(C) limitations that apply to all discovery.”) See also Rules App. C-42: “A party may have a large amount of information on sources or in forms that may be responsive to discovery requests, but would require recovery, restoration, or translation before it could be located, retrieved, reviewed, or produced. At the same time, more easily accessed sources—whether computer-based, paper, or human—may yield all the information that is reasonably useful for the action.”

⁴² Cf. *In re Plastics Additives Antitrust Litigation*, 2004 U.S. Dist. LEXIS 23989, *48-49 (E.D. Pa. November 30, 2004) (refusing to require defendants to provide “documentation and computer personnel” to help plaintiffs “understand the data.” “Requiring this condition as a matter of right in contested litigation undermines the adversarial nature of antitrust litigation. Unless otherwise agreed upon, interpretations of data produced through discovery should be obtained through traditional discovery outlets and through the hiring of expert witnesses. Although the parties may privately agree to provide technical assistance to one another, this Court will not impose such an obligation on either party as a matter of course.”

⁴³ The ability to see metadata and to search seems to be the thread tying these cases together, all requiring production in native format: *Nova Measuring Instruments Ltd. v. Nanometrics, Inc.*, 417 F.Supp.2d 1121 (N.D. Calif. 2006) (requiring production in native format with original metadata); *Treppel v. Biovail Corp.*, 233 F.R.D. 363, 374 n.6 (S.D.N.Y. 2006) (where producing party provided no substantive basis for objecting to requesting party’s demand for production in native format, requesting party’s designated form of production would be honored); *Hagenbuch v. 3b6 Sistemi Elettronici Industriali S.R.L., et al.*, 2006 WL 665005 (N.D.Ill. Mar. 8, 2006) (taking metadata into account, production in native format ordered over objections by producing party who wanted to produce documents in a TIFF format in part so that they could be Bates-numbered).

⁴⁴ See *Tulip Computers International B.V. v. Dell Computer Corporation*, 52 Fed. R. Serv. 3d 1420, 2002 WL 818061 (D. Del. 2002). In this matter, in response to a motion to compel and for sanctions, Tulip and its consultant were given access to the Dell database and working with Dell’s in-house data warehouse manager, were able to conduct searches appropriate for Tulip’s discovery purposes. Thus the district court said it did not have to impose this solution which it said, it would have imposed had the parties not reached agreement prior to the district court’s ruling.

information should be the guideposts to minimize disputes among parties and to reduce the burdens on the district courts in resolving e-discovery disputes.⁴⁵

PROTECTION FROM SANCTIONS UNDER NEW RULE 37(F)

New Rule 37(f) precludes imposition of a sanction on a party accused of spoliating electronically stored information if its terms are met.

Absent exceptional circumstances, a court may not impose sanctions under these rules on a party for failing to provide electronically stored information lost as a result of the routine, good-faith operation of an electronic information system.

Rules App. C-86.

Let's break down this language. What are "exceptional circumstances"? They are not defined but a violation of a preservation order—perhaps even an internal litigation hold—would presumably satisfy this standard.⁴⁶

The sanctions referenced are those "under these rules." Courts, or course, have "inherent power" to issue sanctions irrespective of the rules so this power is unaffected by new Rule 37(f).⁴⁷

The sanction applies to a "party." Is the party's lawyer still subject to sanctions under Rule 37(a)(4)(A)?⁴⁸

What is the "routine" operation of an electronic information system? If an information technology employee was supposed to be advised of a lawsuit and the need to suspend recycling programs and was not, is the

⁴⁵ The changes to Rule 34(a) and (b) must be read in conjunction with new Rule 26(b)(2)(B), which address the rights of a producing party in relation to electronically stored information that is not reasonably accessible.

⁴⁶ Early preservation orders presumably will become routine in litigation that will involve electronic information in light of the changes in Rule 26(f) and 16(b).

⁴⁷ See, e.g., *In re Napster, Inc. Copyright Litigation*, 2006 WL 3050864 (N.D. Cal. Oct. 25, 2006) where the district court relied on its inherent authority to issue sanctions for the destruction of email that should have been maintained, the district court held, based on a prelitigation duty to preserve. The district court agreed to issue an adverse inference instruction, precluded certain evidence, and awarded monetary sanctions. There had already been multiple lawsuits involving Napster, but this case involved the prelitigation duty of an investor in Napster (Hummer) to preserve evidence. Knowledge of the lawsuits against, and its common interest, with Napster, plus the threat of litigation two years before suit was actually brought, was sufficient to create a duty to preserve. "At worst, Hummer mounted a knowing and concerted effort to destroy Napster-related emails that it had a duty to preserve and produce. At best, however, Hummer was grossly negligent in executing its duties to preserve evidence, by failing to implement a litigation hold and instead relying on Napster to preserve Hummer's emails. . . . Documents may be lost and overlooked in large-scale document production, but the abject failure to preserve an entire source of relevant evidence is sanctionable conduct." *Id.* at *11. "A party's destruction of evidence need not be in 'bad faith' to warrant a court's imposition of sanctions. District courts may impose sanctions against a party that merely had notice that the destroyed evidence was potentially relevant to future litigation." *Id.* at *4 (citations omitted). "The future litigation must be 'probable,' or 'more than a possibility.'" *Id.* at *5 (citation omitted). After its duty to preserve took effect, Hummer was required to suspend any existing policies related to deleting or destroying files and preserve all relevant documents related to the litigation. Hummer had forwarded to Napster for preservation purposes certain e-mails. This was regarded as a preservation step but an "inadequate" one although it helped Hummer avoid a default sanction. *Id.* at 14.

⁴⁸ Rule 37((a)(4)(A) provides that if a motion for sanctions is granted, the court may require "the party or attorney advising such conduct or both of them to pay to the moving party the reasonable expenses incurred in making the motion, including attorney's fees. . . ." Presumably, however, if the party is protected by Rule 37(f), the party's attorney will be also.

operation “routine”? If a records hold should have been issued and was not, can the operation be in “good faith”?⁴⁹

The language “routine, good-faith operation of an electronic information system” cannot be read in isolation. Every litigant has a duty to preserve relevant documents and electronically stored information and that duty can arise long before a complaint is filed.⁵⁰ In a post-complaint setting, the loss of information--e.g., the automatic deletion of certain employees’ e-mail--can easily be routine if no changes are made in a litigant’s electronic information system to control the loss.⁵¹ Can it be in “good faith” if the duty to preserve attached to those employees’ e-mail?

In a prelitigation setting, the duty to preserve may arise sooner than the litigant-to-be realizes. In this environment, what is “routine” and in “good faith” may be more charitably received by a district court faced with a decision on whether to apply Rule 37(f) to a party’s conduct.⁵²

Whatever the setting, it seems obvious that a party’s steps to preserve will be scrutinized, so that it behooves the party to be reasonable under the circumstances. In other words, as parties--in effect--write the script of their testimony should their preservation actions later be challenged as being outside Rule 37(f), they must evaluate their preservation steps objectively, not subjectively.

⁴⁹ See *DaimlerChrysler Motors v. Bill Davis Racing Inc.*, 2005 U.S. Dist. LEXIS 38162 (E.D. Mich. Dec. 22, 2005) (where e-mail messages were lost due to the routine operation of defendant’s computer system, sanctions—including an adverse inference instruction--were recommended by the magistrate judge because defendant failed to suspend its auto-recycling procedures after it was on notice that the e-mail messages may be relevant to the litigation, even though the destruction was found to be “negligent” and not “willful”).

⁵⁰ Barkett, *The Prelitigation Duty to Preserve: Look Out!* (Section of Litigation, ABA Annual Meeting, August 5, 2005, Chicago, IL). Among defendants, employment cases in particular are fraught with risk in this regard. *Byrnie v. Town of Cromwell*, 243 F.3d 93, 109 (2d Cir. 2001) (holding that a school board was on notice of potential litigation “arguably” when the applicant made contact with the school principal and assistant principal and made inquiries about the interview process and submitted a FOIA request for hiring records, but certainly by the time of filing of a charge of discrimination with a state human rights commission); *Broccoli v. Echostar Communications*, 229 F.R.D. 506 (D.Md. 2005) (finding a duty to preserve two years before suit was filed when plaintiff “orally and via email” told two of his supervisors that he was being sexually harassed by his immediate supervisor); *Zubulake IV*, 220 F.R.D. at 216-17 (finding a duty to preserve several months before the charge of discrimination was filed where e-mails pertaining to Zubulake were labeled “UBS Attorney Client Privilege” “notwithstanding the fact that no attorney was copied on the e-mail and the substance of the e-mail was not legal in nature,” and Zubulake’s supervisor, Chapin, “admitted in his deposition that he feared litigation from as early as April 2001” when he was asked if he thought that Ms. Zubulake was going to sue UBS in late April 2001, and he said, “Certainly it was something that was in the back of my head”); *Capellupo v. FMC Corp.*, 126 F.R.D. 545 (D. Minn. 1989) (where one of the plaintiffs told the EEO manager that she was contemplating a gender-based class action and that information was passed along to the defendant’s general counsel’s office, the district court rejected FMC’s argument that record destruction was permissible because it did not have the class action pleadings in hand and specifically found that FMC’s corporate hierarchy knew the claim was coming).

⁵¹ See *E*Trade Sec. LLC v. Deutsche Bank AG*, 2005 U.S. Dist. Lexis 3021 (D. Minn. Feb. 17, 2005). In this case, a defendant, NSI, in 2001 had put a litigation hold on backup tapes but not e-mail messages because all e-mail messages were backed up. However, the backup tapes were recycled after three years, a policy that was never changed even though the litigation had continued more than three years beyond the date of the litigation hold. When it became clear in 2004 that additional e-mail boxes needed to be searched beyond those of the initial “key” players, the e-mails were no longer available because of the three-year overwrite policy.

⁵² But see *Stevenson v. Union Pacific Railroad Company*, 354 F. 3d 739, 747 (8th Cir. 2004) (affirming district court’s determination that, in relation to a train accident, defendant violated a prelitigation duty to preserve a voice tape that was recorded over after ninety days as part of routine operation of the recording system, and deciding further that adverse inference instruction was appropriate, but remanding to allow defendant to introduce evidence to rebut the inference). See also *E*Trade Sec. LLC v. Deutsche Bank AG*, 2005 U.S. Dist. Lexis 3021 (D. Minn. Feb. 17, 2005) for what would likely be regarded as a nonroutine loss of electronically stored information. In this case a magistrate judge found a duty to preserve by January 3, 2002, when the “Nomura Defendants” received a copy of a bankruptcy order that provided that the bankruptcy court was investigating what appeared to be a “complex and far-reaching fraudulent scheme” involving the securities of three companies in which defendants “NSI” and “Nomura Canada” had traded. “As of that point in time, Nomura Canada and NSI had the obligation to retain all information and documentation that would be relevant to the lending and borrowing transactions of the securities at issue and all information with respect to personnel that were involved, either directly or in a supervisory role, in the lending of those securities.” *Id.* at *16. After this date but before suit was filed, Nomura Canada had erased hard drives of computers it was giving away to employees as part of a business shutdown. The magistrate judge held that because this destruction of information occurred after a duty to preserve attached, “the plaintiffs need not demonstrate bad faith or willful intent to destroy.” *Id.* at *18.

What if a party in good faith decides that information is not discoverable? Is that a basis not to take preservation steps? In the main, parties will be able to determine what information is discoverable in an action. At the margins, however, it may not be easy to divine the tactical plans of one's opponent or to predict the views of the court on what information is discoverable, particularly if the loss of information occurs before suit is filed but after a court determines a duty to preserve existed. Given these factors, and the breadth of discoverability generally under Rule 26,⁵³ this part of the revised rule will not likely provide safety to many litigants.

Are individuals who delete e-mails from the individuals' computers covered by the phrase "routine good faith operation of an electronic information system"? New Rule 37(f) does not seem to provide a safe harbor for the electronic storage habits of individuals, putting a premium on reasonably determining the "key players" for individual storage records holds.⁵⁴

Parties who believe that electronically stored information is not "reasonably accessible" may find some comfort in Rule 37(f)—unless, of course, their beliefs are later not sustained by the district court. They, too, may be ill-advised to allow electronic data recycling to occur without a good understanding of how much relevant information is being lost that is not duplicated elsewhere.⁵⁵

In short, Rule 37(f) does not appear to be a source of much comfort to litigants, suggesting again that good communication between counsel and client, among counsel to the litigants, and with the district court at the earliest stages of the litigation is the preferable way to solve e-discovery disputes.

DISCOVERY OF ELECTRONICALLY STORED INFORMATION FROM NONPARTIES UNDER REVISED RULE 45

Discovery, of course, is not limited to parties in litigation. Third parties are often subpoenaed to provide information. And more often than not information requested of third parties will exist in electronic form. Hence, the Advisory Committee has made a number of conforming changes to Rule 45. Specifically, Rule 45(a)(1)(C) provides that a requesting party could demand that the third party permit the "testing or sampling" of designated "electronically stored information," and Rule 45(a)(C) ends with the proviso that the subpoena "may specify the form or forms in which the electronically stored information is to be produced." Rules App. C-92-93.

Third-party respondents are then given the corresponding right in Rule 45(c)(2)(B) to object to providing information "in the form or forms requested." If objection is made, the requesting party is not entitled to test

⁵³ "Parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party, including the existence, description, nature, custody, condition, and location of any books, documents, or other tangible things and the identity and location of persons having knowledge of any discoverable matter. For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence." F.R.Civ.P. 26(b)(1).

⁵⁴ The importance of preserving information in relation to "key players" is highlighted by *Zubulake v. UBS Warburg LLC*, 2004 U.S. Dist. LEXIS 13574 (S.D.N.Y. July 20, 2004) (*Zubulake V*) in which the district court made 17 references to "key" "players" or "employees" in an e-discovery sanctions setting where the district court decided to issue an adverse inference instruction because of the failure to preserve electronic information.

⁵⁵ See *Zubulake V* where the sanction of an adverse inference instruction was approved in part because certain relevant information was only located on backup tapes that were not "reasonably accessible" and which were not preserved. 2004 U.S. Dist. LEXIS 13574, at *3, 14, 17-18. The discovery of relevant e-mails on backup tapes might also impact the credibility of witnesses. *Id.* at *18-19.

or sample the materials requested except pursuant to an order of the court. The requesting party then must file a motion to compel the “production, inspection, copying, testing or sampling.” Rules App. C-97.

The last sentence of existing Rule 45(c)(2)(B) addresses the costs of responding to a subpoena. The word “production” was deleted after the word “compel” so that this sentence now reads:

Such an order to compel shall protect any person who is not a party or an officer of a party from significant expense resulting from the inspection, copying, testing, or sampling commanded.

Rules App. C-97.⁵⁶

There is no additional guidance in Rule 45 itself on how to protect third parties from the expense associated with e-discovery obligations, although the Advisory Committee Note alerts the district courts to be vigilant in enforcing the protective provisions of Rule 45(c).⁵⁷ Given this warning, one would expect that (a) issuers of subpoenas will tailor the breadth of the request⁵⁸ so that important information is being sought that will not be cost-prohibitive for the nonparty to obtain, and (b) the likelihood that information will be found, the availability of other sources of the evidence, the amount in controversy, and the burden of production will play prominent roles in whether the third-party subpoena recipient will even be required to respond.

If electronic information is going to be produced by the subpoena recipient, and if the requesting party does not specify the form of the production, what should the responding third party do? As is the case with responding litigants, under Rule 45(d)(1)(B) the responding party “must produce the information in a form or forms in which the person ordinarily maintains it or in a form or forms that are reasonably usable.” Rules App. C-100. As under Rule 34(b)(iii), the subpoena-respondent “need not produce the same electronically stored information in more than one form.”

⁵⁶ *Tessera, Inc. v. Micron Technology, Inc.*, 2006 WL 733498 (N.D. Cal. March 22, 2006) gives this explanation of cost recovery under Rule 45(c)(2)(B): “In determining whether to award costs to a non-party, the court considers factors, including the scope of the request, the invasiveness of the request, the need to separate privileged material, the non-party’s financial interest in the litigation, whether the party seeking production of documents ultimately prevails, the relative resources of the party and the non-party, the reasonableness of the costs sought and the public importance of the litigation. William W. Schwarzer, A. Wallace Tashima, James M. Wagstaffe, Federal Civil Procedure Before Trial, 11:2308-2309. Generally, attorneys’ fees and overhead costs are not permitted. *Id.*” *Id.* at *10. The subpoena recipient in *Tessera*, however, was required to front the expense of production: “Because non-party Hynix Semiconductor America may incur significant costs in producing documents responsive to the subpoena duces tecum, an award to cover such costs may be appropriate. As Hynix Semiconductor America has not completed production, and the extent of the total costs incurred is not available, the court is not prepared to rule on the merits of such a motion at this time. Hynix Semiconductor America may bring a motion at a later date seeking award of such costs.” *Id.* at *11. Third-party subpoena recipients should be aware of the differences between state law and federal law in compensability for the costs of responding to a subpoena. In *BASF Petrochemicals Ltd. Partnership et al. v. H.B. Zachary Company et al.*, 2004 Tex. App. LEXIS 10395 (1st Dist. Ct. App. Tex., November 18, 2004), BASF produced, among other things, 30,000 e-mail messages and attachments, 70 megabytes of e-mail data, and 8,000 spreadsheets. The costs of production were \$32,328.29 excluding \$249,234.50 in attorneys’ fees, which the trial court had disallowed. The court of appeal held that Texas law and rules do not permit a third-party subpoena responding party to receive attorneys’ fees. It contrasted Texas law with F.R.Civ.P. 45(c)(1) which permits an award of fees as a sanction for breach of the duty on the subpoena-issuer to avoid imposing an undue burden or expense on the person subject to the subpoena. Rule 45(c)(1) is not affected by the changes to the rules.

⁵⁷ The Advisory Committee Note acknowledges that a subpoena asking a third party to permit testing or sampling “may present particular issues of burden or intrusion” for the subpoena recipient. It then admonishes the district courts that the “protective provisions of Rule 45(c) should be enforced with vigilance when such demands are made.” Rules App. C-103. The force of this language suggests a need/burden scale will be developed by courts to determine whether testing or sampling should be ordered against a nonparty and to address the costs of such testing or sampling.

⁵⁸ Rule 45(c)(1) directs a party serving a subpoena to take “reasonable steps to avoid imposing undue burden or expense on a person subject to the subpoena.” Requesting parties who fail to heed this advice will not likely receive much sympathy from a district court. *Cf. Quinby v. Westlb AG*, 2006 U.S. Dist. LEXIS 1178, *3 (S.D.N.Y. Jan. 11, 2006) (magistrate judge quashed subpoenas to internet service providers for plaintiff’s e-mails within a defined period of time because the subpoenas were “clearly overbroad”).

And what if the subpoena respondent's information is not "accessible." Rule 45(d)(1)(C) provides the solution, mimicking the provisions of Rule 26(b)(2)(B):

A person responding to a subpoena need not provide discovery of electronically stored information from sources that the person identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or to quash, the person from whom discovery is sought must show that the information sought is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for the discovery.

Rules App. C-100.

In other words, the subpoena respondent is protected *ipso facto* if the respondent "identifies" the sources of electronically stored information that are not reasonably accessible because of "undue burden or cost." This language still means that subpoena recipients cannot overlook their "inaccessible" storage media to respond to a subpoena. And while one might think that if a nonparty has backup tapes or other stored information, intrinsically that nonparty will suffer "undue burden or cost" if that difficult-to-access storage media had to be searched,⁵⁹ the subpoena recipient will still have to articulate in some minimally acceptable fashion existence of an "undue" burden or cost to justify the determination that the sources are not reasonably accessible.⁶⁰

If a motion to compel or motion to quash is filed, the burden of persuasion is on the subpoena recipient to establish the undue burden or cost.⁶¹ How much of a showing must a subpoena recipient make? The revised rule sets no standard. Instead, the Advisory Committee Note to Rule 45 points out all of the protections afforded subpoena recipients:

As with discovery of electronically stored information from parties, complying with a subpoena for such information may impose burdens on the responding persons. Rule 45(c)

⁵⁹ Cf. *United States et al. v. Amerigroup Illinois Inc. et al.*, 2005 US Dist. LEXIS 24929 (N.D. Ill. Oct. 21, 2005). In this case defendants offered to pay the nonparty subpoena responder's cost of producing e-mails from backup tapes. The burden was still found to be "undue": "It is not a decisive answer to say that the defendants have offered to pay the costs that might be incurred in retrieving the emails. Expense is but a part of the burden. As Mr. Petty's uncontested affidavit indicates, the process of retrieving the emails also entails the extensive use of equipment and internal man-power. It will take six weeks to restore and review the data of just one of the three individual's email accounts. The entire project, then, will entail eighteen weeks of effort. To be sure, one can imagine the use of three dedicated servers to perform each of the six weeks of restoration work concurrently, but the end result is still eighteen weeks of man-power and eighteen weeks of use of the necessary equipment. That burden, which is undeniably substantial, exists independently of the monetary costs entailed." *Id.* at *13. The defendants did not help their cause by claiming that the e-mails were critical to the "government knowledge" defense alleged in the case where, 11 months earlier, they had filed a motion for summary judgment saying that they should prevail on that defense based on the facts then in existence. *Id.* at *21-22.

⁶⁰ If the third party does not otherwise object to the subpoena and produces information only from accessible sources of electronically stored information, the requesting party may never know that the third party may have responsive information stored on not-easily-accessible media. As noted above in the discussion of changes to Rule 26(b)(2), the Advisory Committee is contemplating by these rule amendments that producing parties will identify sources of electronically stored information that are not reasonably accessible. But lack of care on the side of the subpoena issuer or recipient, who in most, if not all, cases does not want to be bothered with the effort to respond to a subpoena, could produce a situation where electronic information that is not reasonably accessible is considered as nonresponsive or is not considered at all. If a records custodian deposition accompanies the production, then, presumably, the examination of that witness will result in a disclosure of the third party's determination that information requested was not reasonably accessible. However, subpoena issuers who are seeking electronically stored information more likely will specifically ask for such information that might be stored on difficult-to-access media so that there will be no misunderstanding as to what is being sought, leaving for later the sorting out of the costs under Rule 45(c)(2)(B).

⁶¹ Will the costs of addressing this motion be included among those that the third party might recover to receive the "protection" afforded by Rule 45(c)(2)(B)? The case law will have to unfold before this question will be answerable.

provides protection against undue impositions on nonparties. For example, Rule 45(c)(1) directs that a party serving a subpoena “shall take reasonable steps to avoid imposing undue burden or expense on a person subject to the subpoena,” and Rule 45(c)(2)(B) permits the person served with the subpoena to object to it and directs that an order requiring compliance “shall protect a person who is neither a party nor a party’s officer from significant expense resulting from” compliance. Rule 45(d)(1)(D) is added to provide that the responding person need not provide discovery of electronically stored information from sources the party identifies as not reasonably accessible, unless the court orders such discovery for good cause, considering the limitations of Rule 26(b)(2)(C), on terms that protect a nonparty against significant expense.

Rules App. C-103.⁶²

If significant expense is involved, the requesting party will almost certainly be paying for the production under the protective provisions of Rule 45(c).⁶³ Hence, in deciding a motion to quash or compel, a judge will likely focus on the relationship between the disruption caused by the search and the production, on the one hand, and the likelihood information important to the requesting party’s position will be found, on the other.

UNDER NEW RULE 26(B)(5), ASSERTING CLAIMS OF PRIVILEGED OR WORK PRODUCT PROTECTION AFTER PRODUCTION

One of the difficulties of document production, and more so with electronic document production, is the potential for privileged or protected information to be mixed in among hundreds of thousands of files and the difficulty of segregating privileged information and attorney work product in a timely and cost-effective manner.⁶⁴

To address this concern, the new rule covers the issue of waiver when privileged and protected documents and electronically stored information are produced. New subsection (B) in Rule 26(b)(5) provides that “when information is produced in discovery that is subject to claim of privilege or of protection as trial-preparation material, the party making the claim may notify any party that received the information of the claim and the

⁶² To minimize expense and save time, consistent with the theme of the amended rules to encourage early dialogue, subpoena issuers are well-advised to have advance discussion with subpoena recipients about production of electronically stored information.

⁶³ See *In re Automotive Refinishing Paint Antitrust Litigation*, 2005 U.S. Dist. LEXIS 22353 (E.D. Pa. June. 29, 2005) (where plaintiffs requested numerous documents, including electronic files, from a nonparty international nonprofit trade organization with a staff of eight persons, compliance would be “burdensome,” and plaintiff was required to compensate the subpoena-recipient for the costs of production, including legal fees); *In re Natural Gas Commodity Litigation*, 2005 U.S. Dist. LEXIS 27470, *68-69 (S.D.N.Y. Nov. 14, 2005) (where subpoena recipient is a “small organization,” and historical data sought by plaintiffs resided on “old” and “antiquated individual computers,” the magistrate judge first required plaintiffs and the subpoena recipient to negotiate a reasonable “sample” protocol, “perhaps searching one of the ‘old’ computers, with leave to re-visit the burden vs. utility question based on information from that process” after recognizing that plaintiffs had already offered to pay for specially retained outside personnel to search the old computers and to pay for technical and clerical staff to be hired by the subpoena recipient to redact information not sought by the plaintiffs).

⁶⁴ See *Zenith Electronics Corp. v. WH-TV Broadcasting Corp.*, 2004 U.S. Dist. LEXIS (N.D. Ill. 2004). In this matter, responding parties chose to print the electronically stored information filling up 269 boxes. Then the privilege review was conducted and the remaining documents were produced. Requesting party had sought the documents in electronic form, however, and obtained an order compelling production in that form. Responding parties then engaged a consultant who used the results of the privilege review with the paper documents to find the corresponding electronic files. The consultant then worked with requesting party’s consultant to ensure that the files were redacted in the electronic document production. Responding parties incurred \$109,627.46 to print and number the documents and \$185,595.47 on their consultant for the assistance rendered on the privilege issue. Responding parties prevailed in the action but the district court held that these costs were not taxable under 28 USC §1920.

basis for it.” In addition to giving notice, the producing party must “preserve the information until the claim is resolved.” Rules App. C-57-58.

Upon receipt of this notice, the receiving party is obliged to “promptly return, sequester, or destroy⁶⁵ the specified information and any copies it has and may not use or disclose the information until the claim is resolved.” The “receiving party” may also “promptly present the information to the court under seal for a determination of the claim.”⁶⁶ And if the receiving party already disclosed the information before being notified of the claim of privilege, “it must take reasonable steps to retrieve it.” Rules App. C-57-58.

Similar language was added to Rule 45(d)(2)(B) to address inadvertent production of privileged documents by third parties responding to a subpoena. Rules App. C-101-02.

Note that new Rule 26(b)(5)(B) does not give the producing party a time period within which to give notice of the production of privileged or protected documents. The amendment, by design, stays out of the battle of whether the producing party’s delay in giving notice results in a waiver of the privilege or protection. The Committee Note explains: “Courts will continue to examine whether a claim of privilege or protection was made at a reasonable time when delay is part of the waiver determination under governing law.” Rules App. C-59.

The amendment does not say whether notice must be given in writing, but the Committee Note does: “That notice should be in writing unless the circumstances preclude it.” Rules App. C-59.⁶⁷ The notice also must be more than perfunctory. The Advisory Committee Note explains:

The notice should be as specific as possible in identifying the information and stating the basis for the claim. Because the receiving party must decide whether to challenge the claim and may sequester the information and submit it to the court for a ruling on whether the claimed privilege or protection applies and whether it has been waived, the notice should be sufficiently detailed so as to enable the receiving party and the court to understand the basis for the claim and to determine whether waiver has occurred.

Rules App. C-59.

Note, too, that the receiving party must keep control over copies that have been made of the privileged or protected documents. In today’s litigation world, where document copies can proliferate, that may not be an easy task.

In dealing with receipt and dissemination of privileged or protected documents produced inadvertently, ethics rules may come into play. ABA Model Rule of Professional Conduct 4.4(b) addresses the receipt by a lawyer of documents that the lawyer knows or reasonably should know were sent inadvertently. The lawyer’s duty is to “promptly notify the sender.” New Comment [2] to Rule 4.4 explains that whether the lawyer is required to do more than give notice to the sender, “such as returning the original document, is a matter of law beyond the

⁶⁵ The option to sequester or destroy the information was included “in part because the receiving party may have incorporated the information in protected trial-protection materials.” Committee Note, Rules App. C-59.

⁶⁶ In presenting the question to the district court, “the party may use the content of the information only to the extent permitted by the applicable law of privilege, protection for trial-preparation material, and professional responsibility.” Committee Note, Rules App. C-59.

⁶⁷ One such circumstance listed by the Advisory Committee is the assertion of a claim of privilege during a deposition. Rules App. C-59.

scope of these Rules, as is the question of whether the privileged status of a document has been waived.” New Rule 26(b)(5)(B) answers the former question. Returning the document(s) is not required unless the party fails to sequester or destroy the documents.

In the case of electronically stored information,⁶⁸ as noted above, revised Rule 26(f)(4) provides that counsel conferring as required by that rule must consider whether they can agree that the court should enter an order protecting the right to assert any privilege or protection *after* production of the privileged or protected

⁶⁸ In the Committee Note to new Rule 26(f), the Advisory Committee explained that privilege concerns can become “more acute” when electronically stored information is sought. Why? “The volume of such data, and the informality that attends use of e-mail and some other types of electronically stored information, may make privilege determinations more difficult, and privilege review correspondingly more expensive and time consuming. Other aspects of electronically stored information pose particular difficulties for privilege review. For example, production may be sought of information automatically included in electronic document files but not apparent to the creator of the document or to readers. Computer programs may retain draft language, editorial comments, and other deleted matter (sometimes referred to as ‘embedded data’ or ‘embedded edits’) in an electronic document file but not make them apparent to the reader. Information describing the history, tracking, or management of an electronic document (sometimes called ‘metadata’) is usually not apparent to the reader viewing a hard copy or screen image.” Rules App. C-35-36.

information.⁶⁹ If counsel cannot agree or elect not to seek such an order, and if privileged or protected documents are later inadvertently produced, the failure to agree or an election not to seek an order may impact the determination of whether a request to return documents was made within a reasonable time and whether the waiver was inadvertent.

⁶⁹ In the Committee Note to Rule 26(f), the Advisory Committee also suggests protocols that parties may employ to minimize the risk of waiver of any privilege or protection. “They may agree that the responding party will provide the requested materials for initial examination without waiving any privilege—sometimes known as a ‘quick peek.’” After reviewing what the requesting party designates for production, the producing party then asserts a privilege under Rule 26(b)(5)(a) describing the nature of documents or information not produced in a manner that allows other parties to assess the applicability of privilege or protection (even though the requesting party’s counsel will have already seen the document or information). “On other occasions, parties enter agreements—sometimes called ‘clawback agreements’—providing that production without intent to waive privilege should not be a waiver so long as the producing party identifies the documents mistakenly produced, and that the documents should be returned under those circumstances.” Rules App. C-36. *Cf. Zenith Electronics Corp. v. WH-TV Broadcasting Corp.*, 2004 U.S. Dist. LEXIS (N.D. Ill. 2004) (where the district court apparently ordered a clawback procedure in response to a requesting party’s motion to compel where the requesting party’s proposed protocol called for a consultant to review the electronic files, identify what was to be produced, and then responding parties could review those files for privilege and identify the files to be redacted on privilege grounds. The district court’s order invited counsel to file an emergency motion if problems arose under the protocol). *See J.C. Assocs. v. Fidelity & Guaranty Ins. Co.*, 2005 WL 1570140 (D.D.C. July 2005) (where plaintiff sought claims files that defendant estimated might total 1.3 million files, and plaintiff then focused on a geographic subset of 448 files, the magistrate judge proposed a quick-peek and clawback protective order and gave defendant ten days to determine whether it would surrender the 428 files on this basis). Neither a “quick peek” nor a “clawback” addresses whether the privilege or protection has been waived vis-à-vis nonparties, such as governmental agencies. It would not appear prudent to act along these lines without an appropriate court order if there is a concern over protecting the information from discovery by nonparties. *Hopson v. Mayor and City Council of Baltimore et al.*, 232 F.R.D. 228 (D. Md. 2005) goes further and holds that unless there is a court order, there is no guarantee that a clawback agreement will avoid a waiver: “it is essential to the success of this approach in avoiding waiver that the production of inadvertently produced privileged electronic data must be at the compulsion of the court, rather than solely by the voluntary act of the producing party, and that the procedures agreed to by the parties and ordered by the court demonstrate that reasonable measures were taken to protect against waiver of privilege and work product protection.” *Id.* at 240. The magistrate judge’s opinion explained that the changes to Rule 26(f) do not protect a litigant from a waiver claim because the law on waiver in the face of inadvertent production is not uniform. 232 F.R.D. at 235. Specifically, there are three jurisprudential approaches: the “strict accountability” approach (inadvertent production almost always results in waiver), the “lenient/to err is human” approach (waiver only if there is gross negligence) and the “balancing” approach (where there is an evaluation of the conduct to determine if a waiver should be found to have occurred). *Id.* at 236. Because the Fourth Circuit might fall into the “strict accountability” camp, the magistrate judge held that an order preserving the privilege was essential but that no such order would be issued until the following steps were taken: (1) the producing party had to undertake a pre-production privilege review that is reasonable under the circumstances unless “it can be demonstrated with particularity that it would be unduly burdensome or expensive to do so” based on the cost-benefit balancing factors in current Rule 26(b)(2), *Id.* at 244; and (2) the parties had to meet to attempt to reach an agreement that “can be proposed to the court.” *Id.* at 245. The magistrate judge cited to Civil Discovery Standards of the ABA Section of Litigation to identify the subjects for discussion “at a minimum”: “the type of information technology systems in use and the persons most knowledgeable in their operation; preservation of electronically stored information that may be relevant to the litigation; the scope of the electronic records sought (i.e. e-mail, voice mail, archived data, back-up or disaster recovery data, laptops, personal computers, PDA’s, deleted data) the format in which production will occur (will records be produced in ‘native’ or searchable format, or image only; is metadata sought); whether the requesting party seeks to conduct any testing or sampling of the producing party’s IT system; the burdens and expenses that the producing party will face based on the Rule 26(b)(2) factors, and how they may be reduced (i.e. limiting the time period for which discovery is sought, limiting the amount of hours the producing party must spend searching, compiling and reviewing electronic records, using sampling to search, rather than searching all records, shifting to the producing party some of the production costs); the amount of pre-production privilege review that is reasonable for the producing party to undertake, and measures to preserve post-production assertion of privilege within a reasonable time; and any protective orders or confidentiality orders that should be in place regarding who may have access to information that is produced.” *Id.* *Hopson* has the potential to create jeopardy for litigants. The Advisory Committee on the Federal Rules of Evidence offers a solution to what I will call the “*Hopson*” choice. Its proposed Fed.R.Evid. 502 contains subparagraph (d) which provides that “a federal court order that the attorney-client or work product protection is not waived as a result of disclosure in connection with the litigation pending before the court governs all persons or entities in all state or federal proceedings, whether or not they were parties to the matter before the court, if the order incorporates the agreement of the parties.” The only conditions to this proposed rule are that the parties agree and the court orders it. *See* <http://www.uscourts.gov/rules/reports/EV05-2006.pdf>.

GUIDELINES FOR STATE TRIAL COURTS

State rules of procedure addressing electronic discovery will begin to arrive in the coming months and years, and they will most likely be patterned in whole or in part on the federal rules.⁷⁰ In the interim, the Conference of Chief Judges of the state courts has now issued a set of guidelines on electronic discovery that closely follows the federal rules. *Guidelines For State Trial Courts Regarding Discovery Of Electronically-Stored Information* (August 2006).⁷¹

Most states do not yet require a conference among lawyers (Rule 26(f)) followed by a scheduling conference with the court (Rule 16) as is required under the federal rules, the guidelines suggest that in appropriate cases, the state courts become more proactive on e-discovery issues. For example, Guideline 2 explains when a court should encourage counsel to become informed about his or her client's "relevant" information management systems:

In any case in which an issue regarding the discovery of electronically-stored information is raised or is likely to be raised,⁷² a judge should, when appropriate, encourage counsel to become familiar with the operation of the party's relevant information management systems, including how information is stored and retrieved. If a party intends to seek the production of electronically-stored information in a specific case, that fact should be communicated to opposing counsel as soon as possible and the categories or types of information to be sought should be clearly identified.

Guideline 3 then provides that judges should "encourage" lawyers to meet and confer to "voluntarily come to agreement on the electronically stored information to be disclosed, the manner of its disclosure, and a schedule that will enable discovery to be completed within the time period specified by [the Rules of Procedure or the scheduling order]."

Guideline 4 then recommends that the court hold a hearing to address the results of the lawyers' "meet and confer session":

Following the exchange of the information specified in Guideline 3, or a specially set hearing, or a mandatory conference early in the discovery period, a judge should inquire whether counsel have reached agreement on any of the following matters and address any disputes regarding these or other electronic discovery issues:

A. The electronically-stored information to be exchanged including information that is not readily accessible;

⁷⁰ Cost-shifting may be handled differently in the states. See e.g., Texas Rule 196.4 (If a responding party cannot through reasonable efforts retrieve electronic data or information requested or produce it in the form requested, the responding party must state an objection. If the court then orders the responding party to comply with the request, the court must also order that the requesting party pay the reasonable expenses of any extraordinary steps required to retrieve and produce the information). California Code Section 2031.280(b) provides that a *requesting* party should pay the costs of translating data compilations into reasonably usable forms: "(b) If necessary, the responding party at the reasonable expense of the demanding party shall, through detection devices, translate any data compilations included in the demand into reasonably usable form." See *Toshiba America Electronics Components, Inc. v. Superior Court*, 124 Cal. App. 4th 762 (2004) (requiring the requesting party to pay the costs of restoration of information on 800 backup tapes, which was estimated to be \$1.9 million, but allowing a motion for a protective order to be filed to if the requesting party disputes the necessity or reasonableness of the expenses sought by the producing party).

⁷¹ It can be found at http://www.ncsconline.org/WC/Publications/CS_EIDiscCCJGuidelines.pdf.

⁷² Presumably, this will be the rule, not the exception.

B. The form of production;

C. The steps the parties will take to segregate and preserve relevant electronically stored information;

D. The procedures to be used if privileged electronically-stored information is inadvertently disclosed; and

E. The allocation of costs.

The remaining six guidelines address the scope of e-discovery, form of production, reallocation of costs, inadvertent disclosure of privileged information, preservation orders, and sanctions and, for the most part, appear to parallel the federal rules.

CONCLUSION

The new e-discovery rules went into effect on December 1, 2006. Cost-shifting, sanctions, and privilege case law will be developing in the coming months. Prudent counsel will monitor this case law.⁷³

E-discovery is here to stay. Whether the issue is preservation, presentation, production, privilege, or prejudice, e-discovery is costly and can be complicating. Counsel and their clients who wish to minimize e-discovery disputes and costs will communicate meaningfully at the time a duty to preserve arises to fairly identify the universe of their electronic document discovery needs and obligations. Litigants who wish to minimize e-discovery disputes and costs will meaningfully communicate at the Rule 26(f) conference about “any” issues relating to disclosure or discovery of electronically stored information, including the form or forms in which it should be produced and about privileged or protected document issues associated with such production. Courts who would like to minimize e-discovery disputes and preserve judicial resources for resolution of cases on their merits, will consider the parties’ agreements on these issues and probe where parties have failed to reach agreement on them. In the end, reasonable steps--those designed to ensure the just, speedy, and inexpensive determination of every action--are the best, and perhaps only, e-discovery safe harbor for every litigant.

/jmb

⁷³ Local rules addressing e-discovery issues have been adopted by District Courts for the Eastern and Western Districts of Arkansas and the District Courts of Delaware, Kansas, New Jersey, and Wyoming. Use http://www.findlaw.com/10fedgov/judicial/district_courts.html to access the local rules of the federal district courts. Rules have also been adopted in California (Cal. C. Civ. P. 2017(e)), Illinois (S. Ct. R. 201(b)(1) and S. Ct. R. 214), Mississippi (Miss. Rule 26(b)(5)), and Texas (Tex. R. Civ. P. 196.4).

ABOUT THE AUTHOR

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Mr. Barkett is a partner at the law firm of Shook, Hardy & Bacon L.L.P. in its Miami office. He is a graduate of the University of Notre Dame (B.A. Government, 1972, *summa cum laude*) and the Yale Law School (J.D. 1975) and served as a former law clerk to the Honorable David W. Dyer on the old Fifth Circuit Court of Appeals. Mr. Barkett has, over the years, been a commercial litigator (contract and corporate disputes, employment, trademark, and antitrust), environmental litigator (CERCLA, RCRA, and toxic tort), and, for the past several years, a peacemaker and problem solver, serving as an arbitrator, mediator, facilitator, or allocator in a variety of environmental or commercial contexts. He has served or is serving as a neutral in approximately fifty matters involving in the aggregate more than \$400 million. In November 2003, he was appointed by the presiding judge to serve as the Special Master to oversee the implementation and enforcement of the 1992 Consent Decree between the United States and the State of Florida relating to the restoration of the Florida Everglades. He also consults with major corporations on the evaluation of legal strategy and risk, and conducts independent investigations where such services are needed.

Mr. Barkett serves on the Council of the ABA Section of Litigation after service as the Section's Co-Director of CLE and Co-Chair of the Environmental Litigation Committee. His article, *Help Is On The Way...Sort Of: How the Civil Rules Advisory Committee Hopes to Fill the E-Discovery Void* was presented at the Section of Litigation Annual Meeting in 2006 in Los Angeles. His article, *The Prelitigation Duty to Preserve: Lookout!* was presented at the ABA Annual Meeting in 2005 in Chicago. He also wrote, *Bytes, Bits and Bucks: Cost-Shifting and Sanctions in E-Discovery*, which was presented at the Section of Litigation's 2004 Annual Conference and also appears at 71 Def. Couns. J. 334 (2004). His article, *The Battle For Bytes: New Rule 26*, appears in the Section's special publication, *e-Discovery* (February 2006).

Mr. Barkett is editor and one of the authors of the Section of Litigation's Monograph, *Ex Parte Contacts with Former Employees* (Environmental Litigation Committee, October 2002). His paper, *A Baker's Dozen: Reasons Why You Should Read the 2002 Model Rules of Professional Conduct*, was presented at the Section of Litigation's 2003 Annual Conference. His paper, *Tattletales or Crime-Stoppers: Disclosure Ethics Under Model Rules 1.6 and 1.13* was presented at the 2004 ABA Annual Meeting. Mr. Barkett also wrote *The MJP Maze: Avoiding the Unauthorized Practice of Law*, which was presented at the 2005 Section of Litigation Annual Conference. He also wrote *Refresher Ethics: Conflicts of Interest*, for the Section's January 2007 Joint Environmental, Products Liability, and Mass Torts CLE program.

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Among his other works are a terrorism-related article on torts, entitled, *If Terror Reigns, Will Torts Follow?* 9 Widener Law Symposium 485 (2003); *A Database Analysis of the Superfund Allocation Case Law*, Shook, Hardy & Bacon L.L.P.: Miami (2003); and *The CERCLA Limitations Puzzle*, 19 N.R.E. 70 (2004).

Mr. Barkett has been recently recognized in a number of lawyer-recognition publications, including Who's Who Legal 2005-06 (International Bar Association); Best Lawyers in America 2005-2006 (National Law Journal); Best of the Bar, (South Florida Business Journal, April 2004); Legal Elite, (Florida Trend 2004-06), and Chambers USA America's Leading Lawyers (2004-2006). Mr. Barkett can be reached at jbarkett@shb.com.