

BRAVE NEW WORLD

**THE NEW IMPERATIVE FOR IN-HOUSE COUNSEL/
OUTSIDE COUNSEL COLLABORATION IN E-DISCOVERY**

An Interactive Brown Bag



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INTRODUCTION

The tension between the competing interests in discovery between the right to liberal discovery to avoid surprise at trial and the need to protect parties from undue burden or expense “has been exacerbated by the information technology revolution. Courts now face the challenge of overseeing discovery at a time when potential access to electronically stored information is virtually limitless, and when the costs and burdens associated with full discovery could be more outcome-determinative, as a practical matter, than the facts and substantive law.” (*Cache La Poudre Feeds, LLC v. Land O’Lakes, Inc.* (D. Colo. 2007) 244 F.R.D. 614, 620.)

This program focuses on the obligations of in-house and outside counsel in navigating this Brave New World of qualitatively unique discovery. The program is divided into two parts. The first part will consider *when* the obligation to preserve such information is triggered and *what* must be preserved. The second part will address *how* such electronically stored information should be preserved and collected and *why* it is so important to do it right. A panel consisting of one outside counsel and one in-house counsel will guide us through the issues raised in this collaborative process -- after you have first grappled with the issues yourself.

Each part of the program will require you to apply relevant authority to determine how well counsel involved in the *Cache La Poudre* case that supplied the opening quote understood when the obligation to preserve documents was triggered and whether counsel’s involvement in the identification and collection of was adequate. After each part, you will learn how the Court resolved these issues and then hear from the panelists will provide deeper insight.

To guide you, excerpts are provided from applicable authority, including excerpts from June 2007 edition of *The Sedona Principles: Best Practices Recommendations & Principles for Addressing Electronic Document Production*. In the introduction to this latest annotated edition of the Sedona Principles, the authors write: “*The Sedona Principles* have an impressive track record of providing useful assistance to individual federal and state courts facing novel e-discovery issues. They have been influential in providing intellectual support in a number of precedent-setting cases involving preservation obligations, search methodology, production of metadata and the handling of privileged information, to name a few examples.” The 14 principles in this latest edition are included in the appendix to these materials, as is a chart providing parallel citations to the Sedona Principles from the Federal Rules of Civil Procedure, where applicable.

PART I

ARE YOU THREATENING ME?

Cache La Poudre manufactures and sells animal feed in Colorado. Since March of 1991, the company has used its PROFILE trademark and sold PROFILE products in several states. The company also owns current federal and state registrations for the PROFILE trademark for livestock feed.



In 2001, food manufacturing giant Land O' Lakes, Inc. began using the same trademark to rebrand over 400 of its products and to consolidate 36 brands of animal feed products into one brand, PROFILE. Land O' Lakes began shipping its PROFILE products nationwide by January 2002. It also adopted an automatic e-mail destruction program in May 2002, under which all e-mails older than 90 days are automatically deleted even if the e-mail was created before the elimination program was established.

On April 4, 2002, outside counsel for Cache Cheryl Anderson-Siler called Land O' Lakes' General Counsel Peter Janzen. Ms. Anderson-Siler told Mr. Janzen that an individual in Colorado had been using the phrase "Profile Showcase" as a trademark for animal feeds since 1990. On June 5, 2002, Ms. Anderson-Siler followed up with Mr. Janzen in writing. In her letter, Ms. Anderson-Siler said that Cache had been using the PROFILE trademark for at least 10 years and expressed her client's concern over potential confusion "for our respective customers." Ms. Anderson-Siler warned that Land O' Lakes' "very active marketing campaign . . . may present a situation that may become a very serious problem." Ms. Anderson-Siler closed her letter by saying that the primary purpose of her letter:

is to clearly put [Land O' Lakes] on notice of our client's trademark rights and clearly establish the opportunities we have given Land O' Lakes to avoid exposure. The second purpose of this letter is to determine whether this situation can be resolved without litigation and media exposure. . . . We think you will agree that the company's interests are best served by trying to resolve this unfortunate and difficult situation.

On June 3, 2003, Land O' Lakes' outside counsel contacted Ms. Anderson-Siler to "explore the possibility of obtaining a consent from your client to register" the LAND O' LAKES PROFILE mark for agricultural animal feed and invited Ms. Anderson-Siler to call to discuss possible terms. Ms. Anderson-Siler responded on June 17, 2003 with a letter again expressing Cache's concern "that Land O' Lakes is continuing to pursue registration of [its] mark, as any use of such a mark in the feed industry would be likely to infringe our client's longstanding PROFILE trademark." Ms. Anderson-Siler indicated, however, that Cache "would be willing to listen to what Land O' Lakes proposed."

Cache sued Land O'Lakes for trademark infringement on February 24, 2004 in federal court. Cache filed a discovery motion seeking various forms of relief against Land O' Lakes for its destruction of evidence it had a duty to preserve. Specifically, Cache claimed that it was improper for Land O' Lakes to continue its practice of routinely eliminating e-mail and overwriting back-up electronic media after Ms. Anderson-Siler's phone call to Mr. Janzen in April 2002. Cache argues that Land O' Lakes duty to discontinue the practice certainly arose no later than Ms. Anderson-Siler's June 5, 2002 letter to Mr. Janzen.

Land O' Lakes opposed the motion, arguing that its duty to discontinue purging electronically stored information did not arise until Cache filed its lawsuit on February 24, 2004. The prior communications, argued Land O' Lakes, neither threatened litigation nor demanded that Land O' Lakes preserve the electronic information.

Who's right?

Authorities

Sedona Principles Addressing Electronic Document Production, Principle No. 5 (2d Ed. June 2007) (available for free download at www.thesedonaconference.org): "The obligation to preserve electronically stored information requires reasonable and good faith efforts to retain information that may be relevant to pending or threatened litigation. However, it is unreasonable to expect parties to take every conceivable step to preserve all potentially relevant electronically stored information."

Kronisch v. United States (2d Cir. 1998) 150 F.3d 112, 126: The "obligation to preserve evidence arises when the party has notice that the evidence is relevant to litigation – most commonly when suit has already been filed, providing the party responsible for the destruction with express notice, but also on occasion in other circumstances, as for example when a party should have known that the evidence may be relevant to future litigation."

Henkel Corp. v. Polyglass USA, Inc. (E.D.N.Y. 2000) 194 F.R.D. 454, 456: Duty to preserve arises when party has notice of the relevance of the evidence to litigation "likely to be commenced."

Zubulake v. UBS Warburg, LLC (S.D.N.Y. 2003) 220 F.R.D. 212, 216: "[T]he obligation to preserve evidence arises when the party has notice that the evidence is relevant to litigation or when a party should have known that the evidence may be relevant to future litigation."

Hynix Semiconductor Inc. v. Rambus, Inc. (N.D. Cal. 2006) 2006 WL 565893, *21: Finding no spoliation or bad faith implementation of document management and destruction policy because litigation was not "probable" at time party introduced policy. The "[p]ath to litigation was neither clear nor immediate" at time of introduction of policy. While party not permitted to destroy evidence after receiving unequivocal notice of impending litigation, duty to preserve relevant documents requires more than mere possibility of litigation.



PART 2

COUNSEL AS MONITOR AND COLLECTOR

Within days of Cache filing the lawsuit, Land O' Lakes imposed a litigation hold on the destruction of any relevant documents. According to Land O' Lakes General Counsel Janzen, Land O' Lakes employees "understood that they were to save any document that currently existed on their system, as well as in their files."

Land O' Lakes looked for electronic documents in the possession of current employees who left the company after February 2004. No attempt was made to find electronic documents prepared by departed employees because attorneys involved in the discovery process were under the impression that those materials no longer existed in electronic form since information systems personnel routinely cleaned an employee's computer hard drive after they left the company.

Cache served a request for production of documents on Land O' Lakes. To find responsive documents, Land O' Lakes had current employees involved in creating and marketing the PROFILE brand check for responsive materials, including paper documents, e-mails and compact discs. These materials were then turned over to outside counsel to be reviewed for relevancy. As additional requests came in, Land O' Lakes expanded its inquiry to include individuals who might have materials responsive to the particular requests.

Mr. Janzen confirmed that Land O' Lakes employees understood that they were to produce all materials relating to the PROFILE litigation, and then reconfirmed that the employees had produced all of the required materials. Mr. Janzen relied on the employees' ability to locate responsive documents and gave each employee the discretion to identify the documents that "related to the litigation." Mr. Janzen and outside counsel simply accepted whatever materials the employees gave them.

Land O' Lakes never reviewed information contained on backup tapes in identifying and producing responsive materials. Mr. Janzen understood that the company's backup tape was kept for ten days and then written over and that the company had no backup tapes for computer hard drives used by former employees. Mr. Janzen was unaware that Land O' Lakes also had monthly and annual backup tapes. Mr. Janzen concluded that it was unnecessary to review the backup tapes because he believed that any documents on the tapes relevant to the litigation could also be found in another more readily accessible location, though he made no effort to verify his assumption.

No efforts were made to contact former Land O' Lakes employees in the course of identifying and collecting documents. Mr. Janzen assumed that any such documents would be on hard drives shared by current employees.

In response to Cache's discovery motion, Mr. Janzen insists that he fully discharged his obligations to locate, preserve, and produce all relevant, non-privileged material after the filing of the lawsuit on February 24, 2004.

Is he right?

Authorities

Fed. R. Civ. Proc.(b)(2)(B): "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. . . ."

Fed. R. Civ. Proc. 26(g): An attorney or party must certify that every discovery response or objection is consistent with the Federal Rules of Civil Procedure and existing case law "to the best of the signer's knowledge, information and belief, formed after a reasonable inquiry."

Sedona Principles Addressing Electronic Document Production, Principle No. 5 (2d Ed. June 2007): "The obligation to preserve electronically stored information requires reasonable and good faith efforts to retain information that may be relevant to pending or threatened litigation. However, it is unreasonable to expect parties to take every conceivable step to preserve all potentially relevant electronically stored information."

Sedona Principles, Principle No. 6: "Responding parties are best situated to evaluate the procedures, methodologies, and technologies appropriate for preserving and producing their own electronically stored information."

Sedona Principles, Comment 6a: "It is the responsibility of the producing party to determine what is responsive to discovery demands and to make adequate arrangements to preserve and produce relevant information. . . . [¶] Typically, the producing party identifies and informs the key individuals likely to have relevant information of the specific need to preserve all available relevant information – this instruction is sometimes referred to as a 'litigation hold notice.' Thereafter, the lawyers supervise the collection of the relevant information from custodians and other sources. The party then conducts a review for privilege, trade secrets, or other appropriate bases for nonproduction and takes reasonable steps to facilitate production. A producing party should not be required to undertake more heroic efforts merely because the party seeking discovery is suspicious of the efforts undertaken by the producing party."

Sedona Principles, Comment 6f: Role of and risks to counsel regarding preservation and production of electronically stored information: "Generally speaking, the obligation to preserve and produce discoverable electronically stored information runs to and must be executed by parties to an action. However, counsel (both inside and outside) have very practical ethical and other responsibilities to ensure that the efforts to preserve and produce electronically stored information comply with the applicable requirements. While it is generally sufficient for counsel to furnish advice to clients and rely upon them to meet their obligations, courts have suggested that counsel has independent duties of supervision and, in some cases, of participation in the preservation and production process. Under the reasoning of those decisions, counsel must supervise the implementation of preservation or collection efforts of clients."

Sedona Principles, Principle No. 7: “The requesting party has the burden on a motion to compel to show that the responding party’s steps to preserve and produce relevant electronically stored information were inadequate.”

Housing Rights Center v. Sterling (C.D.Cal. 2005) 2005 WL 3320739: Finding that obligation to preserve documents was not adequately communicated to defendants’ employees, even though two members of defendants’ outside counsel submitted declarations that they had advised in-house counsel to have defendants’ employees collect and preserve documents that were relevant and responsive to plaintiffs’ discovery requests. Certain employees of defendants testified in deposition that they had not been told to preserve documents or in any way to alter their document collection and preservation practices. Notwithstanding the declaration of outside counsel, the Court found the absence of a declaration from in-house counsel “rather telling” and granted plaintiffs’ motion for an adverse inference jury instruction.

Zubulake v. UBS Warburg, LLC (S.D.N.Y. 2004) 229 F.R.D. 422, 431-433 (“*Zubulake V*”) : Among the duties a party and its counsel have in the collection of electronic documents are: (1) In furtherance of a litigation hold, counsel must become fully aware of the client’s document retention policies and data retention architecture; (2) counsel must communicate with the key players in the litigation in order to understand how they stored information; (3) counsel must take reasonable steps to monitor compliance with the litigation hold so that all sources of discoverable information are identified and searched; and (4) having identified all sources of potentially relevant information, a party and its counsel are under a duty to retain that information and produce information responsive to the opposing party’s requests.

Peskoff v. Faber (D.D.C. July 7, 2008) -- F.R.D. ___, 2008 WL 2649506: Defendant-responding party’s efforts to collect and preserve responsive electronically stored information found inadequate where: (1) search conducted was incomplete; (2) auto-delete function was not deactivated in timely manner; (3) responding party failed to explain time gaps in produced evidence or explain searches done to obtain documents. Consequently, responding party failed to rebut presumption that it was responsible for approximately \$33,000 cost of forensic testing of its computer and server. Cost was reasonable given plaintiff’s demand in the action for \$2.5 million. “[W]e are not confronting a situation where the anticipated cost of doing the forensic search will dwarf the final recovery.”